

ASX RELEASE

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LEASING SUPPORTS 4.7%¹ LIKE-FOR-LIKE OFFICE RENT GROWTH

Abacus Group (ASX:ABG) ('Abacus' or 'the Group') today announced its results for the full year ended 30 June 2024, delivering FFO of \$82.5 million (9.24 cents per security), and a distribution of 8.50 cents per security, in line with guidance.

FY24 Highlights

- 77 Castlereagh Street, Sydney NSW occupancy of 95.0%², up from 77.6% at HY24
- 201 Elizabeth Street, Sydney NSW occupancy of 78.2%¹, up from 49.6% at HY24
- Pro forma gearing of 32.3%³, within revised target gearing range of up to 40%
- Increased ownership in Myer, Melbourne VIC from 33% in FY23 to 50% as at FY24

Financial summary

- FY24 statutory net loss of \$241 million, driven predominately by fair value changes
- FY24 FFO of \$82.5 million (9.24 cents per security)
- FY24 distribution of 8.50 cents per security, reflecting an FFO payout ratio of 92%
- NTA of \$1.76 per security
- FY24 weighted average cap rate (WACR) of 6.50% for the investment property portfolio, reflecting an expansion of 79 basis points on FY23⁴
- FY24 average cost of debt was 4.4%, with no debt expiry in FY25

Commercial summary

- Office occupancy of 93.4%¹, up 40 basis points from like-for-like (LFL) FY23
- Office WALE of 3.7 years¹, in line with FY23
- Office LFL rent growth of 4.7%¹ compared to FY23

Other investments summary

- Retail occupancy of 96.1%, up 90 basis points from FY23
- Retail WALE of 5.8 years, in line with FY23
- Retail LFL rent growth of 6.3% compared to FY23
- Equity return of \$16.1 million from the Group's 19.8% interest in ASK
- ASK total fees earned of \$14.5 million (reflecting funds management fee of \$11.3 million and development fees of \$3.2 million)

¹ Excludes development affected assets (201 Elizabeth Street, Sydney NSW and Virginia Park, Bentleigh East VIC).

² As at 31 July 2024.

³ Pro forma includes the impact of divesting Market Central, Lutwyche QLD post balance date. Settlement is expected to occur in HY25.

⁴ FY23 excludes assets associated with discontinued operations of \$3.1 billion.

Solid Office leasing progress demonstrates the Group's strong value proposition to customers

Following the post balance date divestment of Market Central, Lutwyche QLD, the Group now consists of 16 Commercial assets valued at \$1.9 billion.

- 14 Office assets (FY23: 15 assets) valued at \$1.5 billion, 78%⁵ A-grade office buildings in prime locations, diversified by market, asset life cycle, customer industry and customer profile, and
- 2⁶ Retail assets (FY23: 4 assets) valued at \$0.4 billion including the flagship Myer store in Melbourne VIC. The Group increased its interest in the asset to 50% in the period (FY23: 33%).

Operational performance

The Office portfolio demonstrated resilience in FY24, delivering LFL income growth of 4.7%⁷, driven by increases in occupancy, an average rent review of 3.6% and strong leasing renewals. LFL occupancy levels increased by 40 basis points to 93.4%⁷ (FY23: 93.0%)⁸ following solid leasing progress at two of the Office portfolio's largest assets, 201 Elizabeth Street, Sydney and 77 Castlereagh Street, Sydney. The leasing success at these two assets highlights our active asset management capability and reflects the strong customer value proposition from recent spec fit out work completed. The 40,548sqm⁹ of total space leased across 94 leasing deals produced an average leasing spread of 11.4% and was supported by a focus on small and medium enterprise customers (FY24: 64%¹⁰ of total Office customers).

Abacus Group continues to monitor the Office market closely, with signs that leasing demand is starting to stabilise in CBD markets. Face rents are trending upwards, with strong demand for good quality space and while incentives remain high, we are expecting a gradual decline going forward, which will support effective rental growth. We are seeing our largely SME customer base start to shift from the 'flight to quality' thematic in recent years, to a 'flight to value', with Abacus' portfolio well positioned to cater to customers seeking premium locations with contemporary amenities, at a competitive price point.

The Retail portfolio produced strong LFL rent growth of 6.3%, driven by solid rent reviews averaging 5.1%. Retail occupancy increased by 90 basis points to 96.1% (FY23: 95.2%), with 6,585sqm⁹ of total space leased across 39 deals.

The Group's operating results have demonstrated the strength of the portfolio and consistent with our commitment to identifying earnings growth opportunities, a recent review has revealed possible efficiencies through portfolio right-sizing and targeted technology investments.

Self Storage accounted for ~20% of FY24 Group earnings

Abacus Group's 19.8% strategic stake in Abacus Storage King (ASX:ASK) ('ASK') delivered investment earnings of \$16.1 million, driven by established portfolio RevPAM growth of 4.6% with average rents of \$360psm, up 3.8% on FY23 and strong occupancy of 91.0% (FY23: 90.4%). See separate ASX announcement for further details on ASK. The Group also earned \$14.5 million in ASK fees (\$11.3 million from management fees and \$3.2 million from development fees). Abacus continues to view the Self Storage sector favourably and is well positioned to benefit from ASK's multi-pronged growth initiatives.

⁵ Excludes Virginia Park, Bentleigh East VIC (part Industrial).

⁶ Pro forma includes the impact of divesting Market Central, Lutwyche QLD post balance date. Settlement is expected to occur in HY25.

⁷ Excludes development affected assets (201 Elizabeth Street, Sydney NSW and Virginia Park, Bentleigh East VIC).

⁸ Restated for comparison purposes.

⁹ Based on 100% ownership.

¹⁰ By number of customers. Includes ABG's Office portfolio and 4 Martin Place, Sydney NSW which is managed by ABG.

Balance sheet positioning

While the Group's income profile remains resilient, the FY24 revaluation process resulted in an expansion in cap rates of 79 basis points to a WACR of 6.50%, and a decrease in investment property values of 12.7%. Following two FY24 asset sales and one post balance date, at or near book value, Abacus Group is in a strong capital position, with limited near-term capex forecast and pro forma gearing of ~32.3%¹¹, within the revised target range of up to 40%. The balance sheet is positioned to explore further platform opportunities such as joint ventures and capital partnerships alongside our management of ASK.

The Group's Chief Financial Officer Evan Goodridge commented, "Abacus Group has diversified its income streams post de-stapling and directed capital towards assets with the best risk adjusted returns. We delivered a FY24 distribution of 8.5 cents per security, in line with guidance and 25% franked, with the intention to distribute a further \$76 million of excess franking credits over the medium term."

Ongoing sustainability focus

The Group's progress towards our ESG targets included a 36% reduction in emission intensity compared to our FY19 base year (for Commercial assets under our control), attaining an average NABERS Energy Rating of 4.8 stars and securing Climate Active certification for two assets. Other ongoing initiatives include enhancing the use of renewable energy, identifying additional opportunities for efficiency improvements across our portfolio and preparing for the Australian Sustainability Reporting Standard, which are expected to become effective from July 2027.

Summary and outlook

The Group's Managing Director, Steven Sewell commented "Abacus Group's diversified portfolio of assets exposed to the Office, Self Storage and Retail sectors, is delivering on its vision to create exceptional value for our customers and stakeholders through the identification, ownership and management of a portfolio of real estate investments.

As evidenced during FY24, Abacus continues to constantly review the income and capital returns from all assets within the portfolio, as part of our active asset management strategy, with the aim of directing capital towards assets that provide strong and growing income streams over the medium to long term."

Despite the inflationary pressures throughout the Group's cost base, particularly in property expenses, Abacus Group provides stable FY25 distribution guidance of 8.5 cents per security, targeting a full year payout ratio of 85%-95% of FFO, predicated on no material decline in current business conditions.

Market briefing

Abacus Group will conduct a market briefing on Friday, 23 August at 10:00am (AEST). Access will be via webcast: <https://abacusgroup.com.au/investor-centre/key-dates-events/>

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

¹¹ Pro forma includes the impact of divesting Market Central, Lutwyche QLD post balance date. Settlement is expected to occur in HY25.

