

ASX RELEASE

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RENT GROWTH SUPPORTS RESULT, GUIDANCE MAINTAINED

Abacus Group (ASX:ABG) ('Abacus' or 'the Group') today announced its results for the half year ended 31 December 2024, reporting a statutory net loss of \$5.7 million, driven by office property devaluations.

HY25 overview

- FFO of \$40.2 million (4.50 cents per security), up 3.2% on HY24¹
- Distribution of 4.25 cents per security (flat on HY24)
- NTA of \$1.72 per security, down 2.3% on FY24
- WACR of 6.66% for the investment property portfolio, expanding of 16 basis points on FY24
- HY25 average cost of debt was 5.1%, with minimal drawn debt expiry in FY25-FY26
- Gearing of 34.0%, within target range of up to 40%

Office summary

- Operating earnings of \$44.0 million, up 12.0% on HY24, driven by increased average physical occupancy, strong leasing spreads and early surrender fees
- WALE of 3.7 years, flat on FY24 (3.8 years) and consistent with our largely SME customer base

Retail summary

- Like-for-like (LFL) operating earnings of \$12.0 million, up 15.4% on HY24, driven by increased average physical occupancy and LFL rent growth of 3.3%
- WALE of 5.6 years, down 0.4 years from LFL FY24

Self Storage summary

- \$8.6 million equity return from our 19.8% interest in ASK, up 16.2% on HY24
- Established store revPAM increased by 5.4% to \$339psm, driven by rental rate growth of 4.4% to \$373psm, and a 90 basis point increase in occupancy to 91.0%

Investment management summary

- \$8.7 million of investment management fees from \$3.3 billion ASK and \$0.9 million in Commercial management fees, representing 12% of operating earnings

Earnings guidance

- Affirmed FY25 distribution guidance of 8.5 cents per security, targeting a full year payout of 85%-95% of FFO

¹ FFO from continuing operations.

Higher average occupancy drives Commercial portfolio earnings growth

The Office portfolio showed resilience in HY25 with operating earnings growth of 12.0% on HY24. Earnings were supported by LFL rent growth of 6.3%, and higher average physical occupancy in the period, combined with strong leasing spreads and positive rent reviews. Early surrender fees accounted for around half the operating earnings growth in the period. The Group leased of ~30,000 sqm¹ of space across 46 deals had an average leasing spread of 7.5%.

We are encouraged by both recent capital transactions and improved leasing demand, particularly in Sydney and Brisbane A-grade office markets. Face rents in our portfolio are rising, and while incentives remain elevated, we expect a gradual decline in the near to medium term, supporting effective rental growth. The Group's portfolio remains well positioned to attract customers seeking premium locations with contemporary amenities, at competitive rents.

The Retail portfolio performed strongly with operating earnings growth of 15.4% on HY24, supported by rent reviews of 4.0%, higher average physical occupancy in the period and higher moving annual turnover (MAT) at Oasis, which resulted in an increase in turnover rent in the period.

As at HY25 the Group consists of 16 Commercial assets valued at \$1.9 billion.

- 14 Office assets (FY24: 14 assets) valued at \$1.5 billion, 78%² A-grade office buildings in prime locations, diversified by market, asset life cycle, customer industry and customer profile, and
- 2 Retail assets (FY24: 3 assets) valued at \$0.4 billion

Self Storage return on investment up 16% on HY24

Abacus Group's 19.8% strategic stake in Abacus Storage King (ASX:ASK) ('ASK') delivered investment earnings of \$8.6 million, up 16.2% on HY24 driven by ASK's strong HY25 result, with established portfolio revPAM growth of 5.4%. Average rents of \$373psm were up 4.4% on HY24³ and strong occupancy of 91.0% (HY24: 90.1%³).

Investment management accounted for 12% of HY25 Group earnings

The Group also earned \$8.7 million in fees from its management of ASK (\$6.3 million from investment management fees and \$2.4 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. In addition to fees from ASK, the Group reported \$0.9 million in Commercial management fees.

Balance sheet overview

While the Group's income profile remains resilient, the HY25 revaluation process resulted in an expansion in cap rates of 16 basis points to a WACR of 6.66%, and a decrease in investment property values of 1.9%.

With our Office valuations down circa 27% since pre-COVID, we expect Office valuations are approaching the bottom of the cycle. We also expect incentives to continue to moderate from current levels, which will support effective rental growth.

¹ Based on 100% ownership.

² Excludes Virginia Park, Bentleigh East VIC (part Industrial).

³ HY24 established portfolio have been restated to include 103 mature stores trading since 1 July 2023.

Balance date gearing was 34.0%, within the target range of up to 40%. The Group constantly reviews investment opportunities and will look to realise non-core assets to fund any higher returning opportunities. The Group's balance sheet is well positioned to explore further platform opportunities such as joint ventures and capital partnerships alongside our management of ASK. Improving operating efficiency is also a key priority over the near term, with the Group committing to introduce the Yardi system by FY26.

The Group's Chief Financial Officer Evan Goodridge commented, "Our half-year results reflect the strong performance achieved across our Office, Retail, and Self Storage segments. We continue to make good progress on building an efficient and scalable platform, positioning the Group for future growth."

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) and attaining an average NABERS Energy Rating of 4.8 stars. 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 Standards, which are expected to become effective from July 2027.

Summary and outlook

The Group's Managing Director, Steven Sewell commented "Abacus Group continues to focus on our vision to create exceptional value for our customers and stakeholders through the identification, ownership and management of a portfolio of real estate investments exposed to the Office, Retail and Self Storage sectors. The Group is committed to identifying investment management opportunities moving forward, such as joint ventures and capital partnerships, utilising our platform of assets to drive higher returns.

Abacus constantly reviews the income and capital returns from all assets within the portfolio as part of our active asset management strategy, with the aim of continuing our non-core divestment program and directing capital towards assets that provide strong and growing income streams over the medium to long term."

Abacus Group affirms its 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 Monday, 24 February at 10:00am (AEST). Access will be via webcast: <https://abacusgroup.com.au/investor-centre/key-dates-events/>

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