



452 Johnston Street, Abbotsford VIC



FY18 Results Presentation

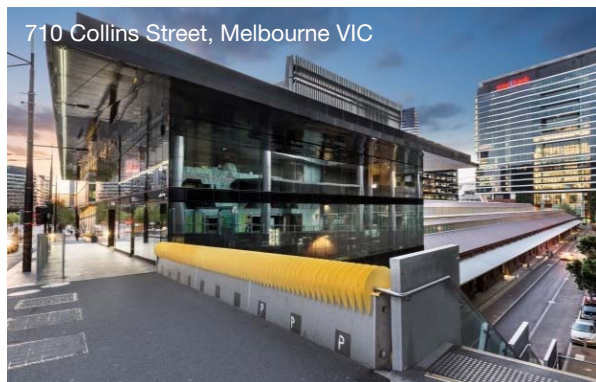
FY18 financial summary



Statutory profit
\$243.7 million
 Down 15%

Underlying profit
\$183.3 million
 Down 2%

Funds From Operations
\$169.8 million
 Up 9%



Underlying EPS
31.7 cps
 Down 3%

Underlying DPS
18.0 cps
 Up 3%

Payout ratio
61.3% of
Funds From Operations



Total assets
\$2.8 billion

Group gearing
23.3%

Net tangible asset
\$3.18 per security
 Up 8.5%¹

1. Adjusted to include the distribution paid in August 2017

FY18 highlights



Review of current strategy confirmed trajectory of Abacus

- Office and Self Storage preferred sectors
- Tactical reduction in exposure to retail, residential and land

Enhanced quality of investment portfolio

- Acquired \$277 million of longer dated city fringe office assets
- Initiated a non-core disposal program resulting in \$278 million of proceeds

Third party capital partnerships expanded

- New initiatives with strategic partners ISPT and Wing Tai
- MOU with Salta Properties in Victoria to explore opportunities

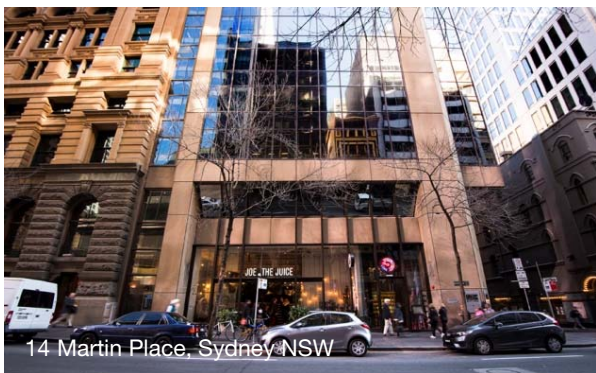
Strategy confirmed



Westpac House, Adelaide SA



33 Queen Street, Brisbane QLD



14 Martin Place, Sydney NSW

Following transition to new Managing Director, review undertaken of current market conditions, project status and outlook to confirm strategic direction

Enhancement to existing business structure/process with focus on resourcing, systems and workplace design as a driver of superior returns

Capital allocation aimed at:

- Increasing our investment in longer dated core plus developed to core office assets
- Increasing our investment in self storage
- Limiting balance sheet exposure to non-core assets
 - Reducing exposure to residential
 - Reducing exposure to retail at this point in the cycle
 - Realising value created in land bank

Review of 'Build to Rent' sector confirms opportunity for sustainable returns

- Exploring opportunities with Salta Properties (fringe office and build to rent sectors initially)
- Seek to partner with key long term institutional capital

Board affirmed distribution policy of 2-3% pa growth over the medium term

Focusing on core strategies

Non-core realisations to provide additional liquidity

JUNE 2017

\$2.4 Billion of
Total Assets¹

Investment Portfolio
\$1.8 Billion

Developments
\$448 Million

 Self Storage	\$629 mil	 Construction	\$138 mil
 Office	\$623 mil	 Land/Mortgages	\$310 mil
 Retail	\$402 mil		
 Industrial	\$177 mil		

JUNE 2018

\$2.7 Billion of
Total Assets²

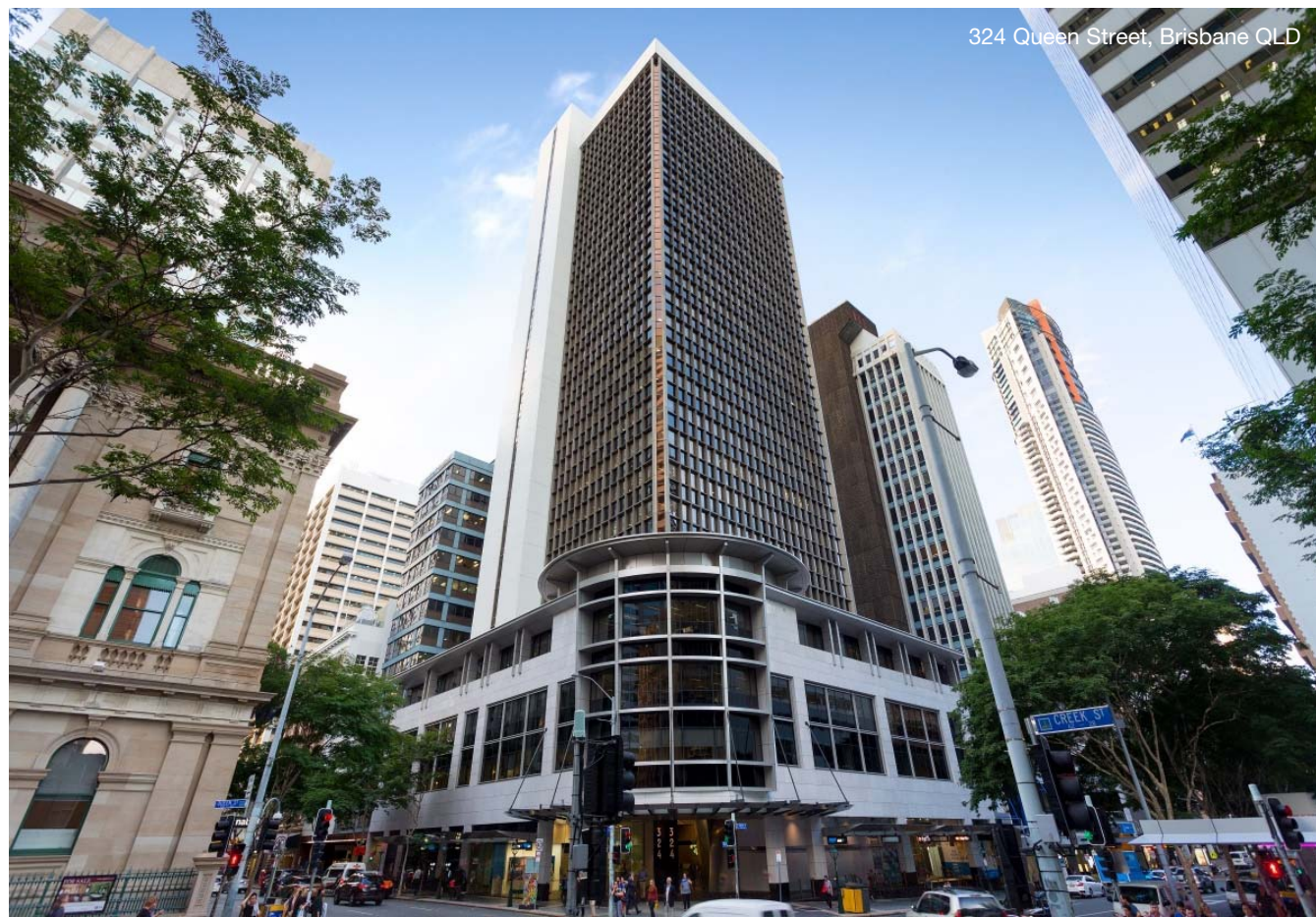
Core
\$1.9 Billion

Non-Core
\$401 Million

 Office	\$879 mil	 Construction	\$109 mil
 Self Storage	\$666 mil	 Land/Mortgages	\$292 mil
 Super Convenience and Other Retail	\$216 mil		
 Industrial	\$160 mil		

1. As at 30 June 2017 includes \$90m of investments in other assets not pictured above

2. As at 30 June 2018 includes \$138m of investments in other assets not pictured above. 30 June 2018 balances have been adjusted for ISPT JV transaction, known settlements and expressions of interest campaigns.



Financial results and capital management

Business delivers strong results

Key financial metrics

	Jun 18	Jun 17
Consolidated Group ¹ AIFRS statutory profit	\$243.7m	\$285.1m
Abacus AIFRS statutory profit	\$244.9m	\$257.9m
Underlying profit²	\$183.3m	\$186.8m
Funds from operations	\$169.8m	\$156.4m
Underlying earnings per security	31.7c	32.7c
Funds from operations per security	29.4c	27.4c
Distributions per security	18.0c	17.5c³
Cashflow from operations	\$168.4m	\$168.5m

Underlying earnings per security strong at 31.7c

Underlying results supported from solid results across all business units

Highlights of underlying profit result in FY18:

- \$159.9 million of property revenue
- \$32.2 million of fee income
- \$38.8 million of gains from investments
- \$57.2 million of profits from residential development projects

Self Storage business delivered 28% increase in EBITDA

- 7% growth in operating profit
- 5.6% RevPAM growth across stabilised portfolio
- \$9m of gains on divestments of non-core assets

Recent high quality acquisitions and improved leasing activity across the existing asset based will enhance net rental income into FY19 and beyond

1. The Group consists of the merged Abacus Property Group, Abacus Hospitality Fund and Abacus Wodonga Land Fund

2. Calculated in accordance with the AICD/Finsia principles for reporting Underlying Profit

3. Includes distribution declared post period end on 3rd July 2017

Conservative balance sheet

NTA per security grew by 8.5% to \$3.18 driven by strong earnings performance across the business and portfolio cap rate compression

Balance sheet gearing increased slightly to 23.3%

- Below target limit of 35%

Post balance date transactions reduces gearing to c.18%

- Provides for over \$600m of capacity for acquisitions across the investment portfolio

Targeting lower than average gearing in current market conditions

Bank debt facilities extended on favourable terms

- Strong support from lenders

Balance sheet metrics	Jun 18	Jun 17
NTA per security	\$3.18	\$2.93 ¹
Abacus total assets	\$2,718m	\$2,369m
Net tangible assets ²	\$1,842m	\$1,737m
Total debt facilities	\$891m	\$873m
Total debt drawn	\$695m	\$514m
Average cost of drawn debt	4.3%	5.2%
Abacus gearing ratio ³	23.3%	20.5%
Gearing ratio calculated for covenant measures ⁴	29.2%	23.9%
Debt term to maturity	3.8 yrs	3.4 yrs
% hedged of drawn debt	42%	49%
Weighted average hedge maturity	2.3 yrs	2.5 yrs
Interest cover ratio ⁵	8.7x	7.4x

- Adjusted to include the distribution paid in August 2017
- Excludes external non-controlling interests of \$46.6 million (FY17: \$48.5 million)
- Bank debt minus cash divided by total assets minus cash. If joint venture and fund assets and debt are consolidated proportionately based on Abacus' equity interest, look through gearing is 23.5%
- Covenant gearing calculated as Total Liabilities (net of cash) divided by Total Tangible Assets (net of cash)
- Calculated as Underlying EBITDA divided by interest expense



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Investment portfolio

High conviction investor and manager

Key portfolio metrics

	FY18	FY17
Investment portfolio value ¹ (\$m)	2,130	1,831
Commercial portfolio ¹ (\$m)	1,464	1,202
Self Storage portfolio (\$m)	666	629
WACR ^{1,4} (%)	6.58	7.08
No. of commercial assets ¹	35	34
NLA (sqm) ^{2,3}	223,537	226,811
Occupancy ^{2,3} (% by area)	91.3	90.5
WALE ^{2,3} (yrs by income)	4.1	4.1
Like for like rental growth ^{2,3} (%)	3.6	2.7

Investment portfolio composition changes seen to drive more sustainable returns

Full year effect of recent acquisitions, totalling over \$277 million, forecast NPI levels to exceed previous levels

Capital allocation focus now targets assets with much longer dated core plus to core strategies to ensure sustainably growing revenue levels in medium to longer term

Investment portfolio delivered \$65.3 million revaluation gains in FY18

Increased occupancy and rental growth levels in FY18 across the like for like stabilised portfolio, driven by active asset management and improved asset quality

1. Includes assets acquired under our third party capital platform, inventory and PP&E
2. Excludes self storage assets
3. Excludes development assets
4. Weighted Average Cap Rate

Expanding partnerships

\$1.8 billion current AUM (\$650m Abacus share)

- Abacus 'high conviction' manager and investor

Desire to further develop high quality, long term strategic partnerships with likeminded institutions that share our investment thematic across our chosen property sectors

- New mandate for private investors with acquisition of University of NSW building in August 2017
- Acquisition of 464 St Kilda Rd for \$95m in 50/50 JV with Wing Tai out of Singapore in May 2018
- Developed a 50/50 super convenience retail partnership with ISPT with c.\$300 million of Abacus retail assets in July 2018



Office – Select CBD and City fringe markets



Capital allocation within the office sector will be consistent with prior messaging aimed at acquiring assets that will create value over the longer term

Strong track record in ability to acquire core and core plus assets that we can develop into core

Future direction will continue to commit to this strategy with a view to add to portfolio high quality longer dated assets to improve the overall portfolio quality and enhance long term returns

At this point in the cycle we continue to focus on CBD office markets in Brisbane and Melbourne and city fringe office markets across Sydney, Melbourne and Brisbane

Acquisitions over the period across the above markets focused on driving high quality longer term income streams and capital value strategies

- Meaningful value differential remains between CBD and metropolitan/fringe assets






As a result, office portfolio grown to \$879 million with assets acquired across Sydney and Melbourne city fringes

- Like for like rental improved to 3.1% on the back of strong Sydney leasing markets driving improved renewal rates and strong active management
- Occupancy improved to 86.9% through leasing and new acquisitions

Acquisitions to add to FY19 revenues

\$277 million of acquisitions in the period will deliver \$15 million of net property income in FY19

- Strong fundamentals drive earnings and value growth over the long term

	464 St Kilda Rd St Kilda	187 Todd Road Port Melbourne	452 Johnston St Abbotsford	63 Ann Street Surry Hills	11 Bowden St Alexandria
					
Sale Price (\$m)	\$47,690,000 (50%)	\$43,500,000	\$93,500,000	\$27,500,000	\$48,850,000
NLA	13,827 sqm	9,214 sqm	16,577 sqm	2,381 sqm	5,577 sqm
Sale Rate	\$6,898	\$4,721 psm	\$5,640 psm	\$11,550 psqm	\$8,759 psm
Initial Yield	5.13%	6.18%	5.85%	4.83%	5.99%
Fully Leased Yield	5.13%	6.21%	5.85%	4.83%	5.99%
Occupancy	100%	100%	100%	100%	100%
Average Gross Rent	~\$425 psm	\$340 psm	\$400 psm	~\$620 psqm	\$583 psm
Average Net Rent	~\$305 psm	\$250 psm	\$290 psm	~\$500 psqm	\$485 psm
WALE	2.4 years	4.1 years	5.5 years	0.8 years	6.0 years

Self Storage – Continuing to outperform



Self Storage has been one of the best performing asset classes globally and in Australia

- It has been Abacus' best performing sector since ownership and forecast to offer strong risk adjusted returns over long term

We will continue to allocate increasing capital to this sector

- Key external drivers suggest continued growth in demand for storage space over the medium term
 - Increased levels of urbanisation
 - Increasing levels of corporate usage
 - High levels of housing activity with downsizers, empty nesters and millennials

Growth to be multi project, active portfolio management

- Sold a portfolio of 5 non-core regional assets with lower growth prospects for \$27m
- Seeking to form partnerships with existing owners and developers of self storage
- Working closely with operator to ensure optimal performance

Portfolio delivered a 28% increase in underlying EBITDA to \$55.9 million in FY18

- 7% increase to operating profit
- \$9 million of gains on divestments of non-core assets

Established portfolio's metrics delivered RevPAM growth of 5.6% to \$247m²

Self Storage development pipeline

Development pipeline of c.\$60 million will deliver over 45,000 square metres of New NLA over the next 3 years

- Anticipated return on invested capital greater than 9.0%
- Delivers 20% valuation uplift when capped at average portfolio cap rate of 7.5%

INDICATIVE DEVELOPMENT PIPELINE

The current development pipeline represents 15% growth on our existing self-storage portfolio¹

Development Type	Assets	Net Lettable Area (m ²) ²	Anticipated Opening
New self storage developments 4 new self storage developments within a 15-kilometre radius of the Sydney CBD	Brookvale (Sydney, NSW)	6,500	FY19
	Frenchs Forest (Sydney, NSW)	5,500	FY19
	Macquarie Park (Sydney, NSW)	3,500	FY19
	Robina (Gold Coast, QLD)	6,000	FY20
	Stafford (Brisbane, QLD)	6,000	FY20
	Sydney Olympic Park (Sydney, NSW)	8,000	FY21+

Over \$50m of new self storage development providing more than 35,000 square metres of net lettable area

Development Type	Assets	Net Lettable Area (m ²) Range	Anticipated Completion
Self Storage expansions We will continue to identify additional development opportunities within our existing portfolio and strategically reinvest subject to market conditions	St Lukes (Auckland, NZ)	500 - 1,000	FY19
	Miami (Gold Coast, QLD)	1,000 - 1,500	FY19
	Dandenong South (Melbourne, VIC)	2,000 - 2,500	FY20
	Clayton (Melbourne, VIC)	1,000 - 1,500	FY20
	Sunbury (Melbourne, VIC)	1,500 - 2,000	FY20
	Greenacre (Sydney, NSW)	1,000 - 1,500	FY21
	Wodonga (Albury-Wodonga, VIC)	1,500 - 2,000	FY21

Over \$10m of self-storage expansions delivering in excess of 10,000 square metres of additional net lettable area

1. Based on net lettable area
2. Approximate

Retail – Long term partnership formed



Abacus exposure to the retail sector is through its super convenience assets

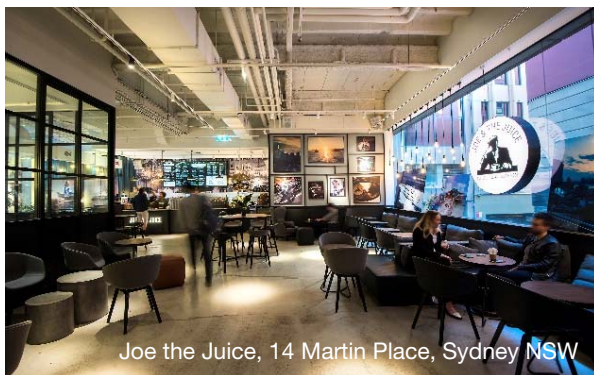
- Inner suburban traders that dominate the convenience markets with proximity to transport hubs with sufficient parking infrastructure
- Incorporate up to 3 national brand supermarkets and minimal discretionary retail which should enable our centres to control their catchment



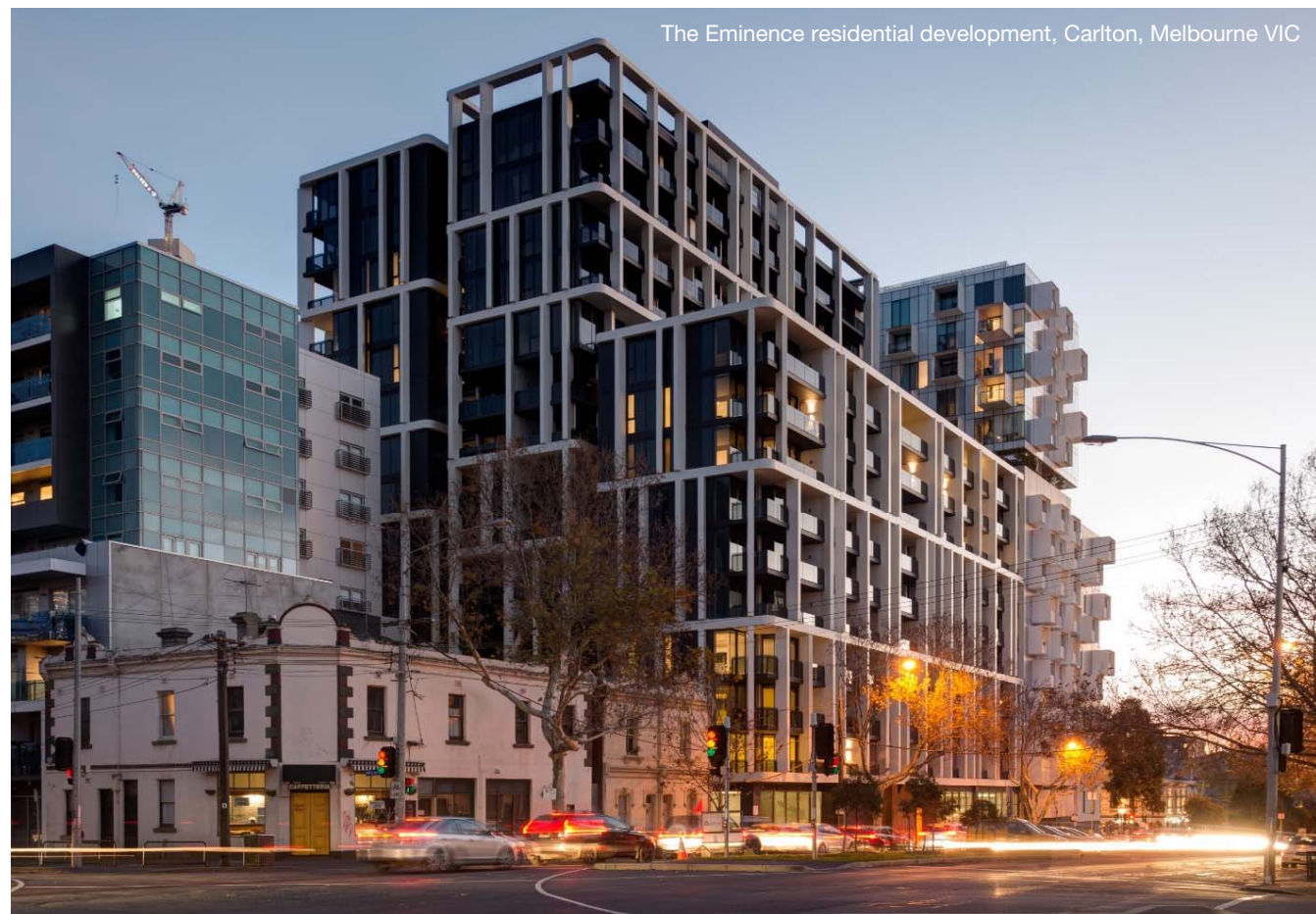
Strategic long term third party capital partnerships formed across two assets

- In July 2018 Abacus announced at c.\$300 million super convenience retail partnership with ISPT across two of Abacus' existing retail assets
- Over the long term potential for future additions to this partnership with assets that fit our super convenience retail strategy

Remaining assets that are considered non-core to this strategy, may be exited at the appropriate time



- Oasis SC, Broadbeach and Liverpool Plaza, Sydney progressing with development strategies and will be reviewed as appropriate
- Bacchus Marsh Village SC sold in April 2018 for \$61.7 million



Residential – Developments and Land

Residential – 48% project reduction in FY19

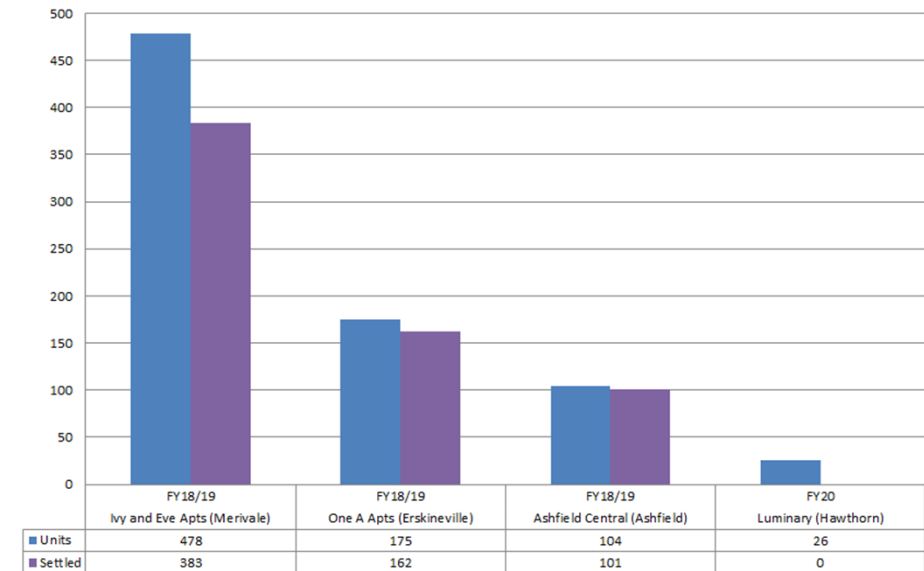
\$151 million of capital and interest repayments offset by additional interest accruals and drawdowns across residential platform

- Internal review recognised need to appropriately, and in a timely manner, reduce our exposure, releasing capital as anticipated in the short and medium term
- Reduction in the number of projects by half over next 12 months

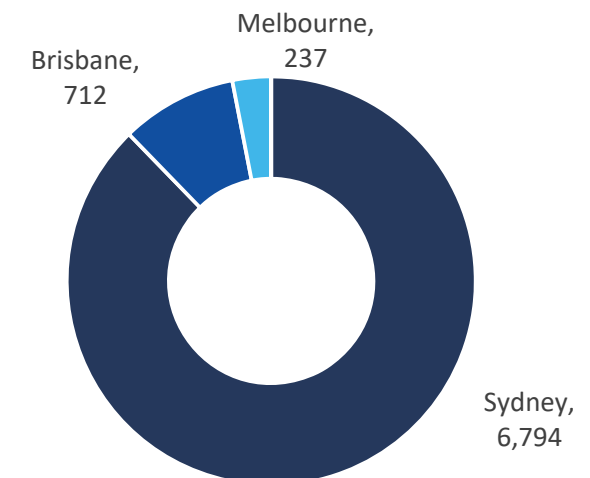
Returns will continue into FY19 as final settlements across 3 completed residential development projects are concluded

Residential development pipeline now consists of 5 projects:

- Approved and underway
 - Luminary, Hawthorn: 70% pre-sold to owner occupiers
 - Spencer West, Melbourne: mixed use development for 194 units
- Planning and design
 - Mina Parade achieved residential rezoning approval for 336 residential units and masterplan is under assessment for delivery or site sale
 - Two other small scale projects (Maidstone & Fitzroy)



Unit and land lot diversification by state and average cost base per unit/land lot (subject to planning approval)



\$317 million of capital invested largely across 12 residential land projects

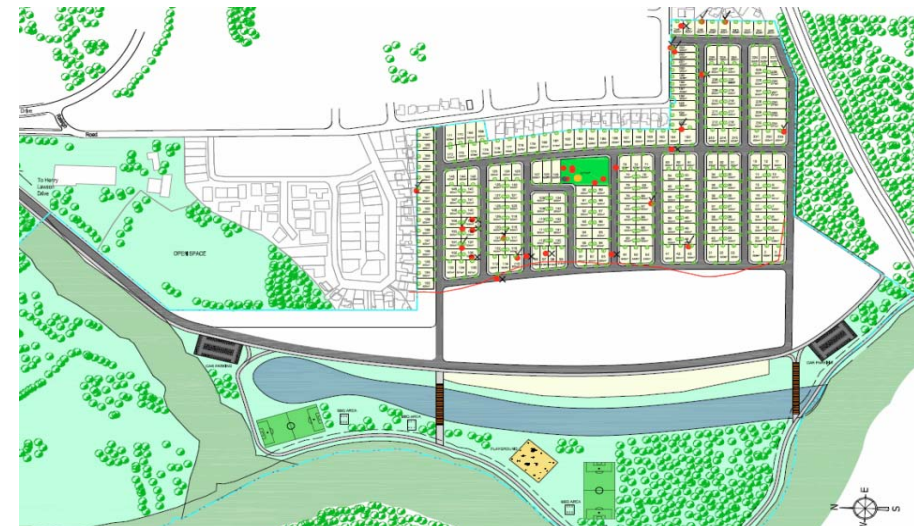
100% exposure to the Sydney metropolitan market

Review highlighted several value appreciation/realisation opportunities

- Currently have active public sales program on several projects, Riverlands, Lane Cove and various others will be considered as market conditions permit
- Desire to substantially reduce invested capital over the short term

Value capture process of Camellia site to be finalised following:

- Gazettal for density
- Review of sub-division into more manageable/defined parcels
- Decontamination quantified (c.\$33m) and planned



Potential layout for Stage 1 of Riverlands residential development



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Summary

‘Evolution of Abacus’



187 Todd Road, Port Melbourne VIC



Greensborough self storage facility, Melbourne VIC



324 Queen Street, Brisbane QLD

Strong underlying profit result in-line with last year’s performance

- Rewarding delivery of long and short dated projects

Given current market conditions, internal review has affirmed current trajectory towards higher than previous levels of stable and predictable recurring earnings, with notable implications:

- Committed to 2-3% growth with targeted FY19 DPS of 18.5c, a 2.8% increase on FY18
- Potential near term adjustment of historically low distribution payout ratio as business recalibrates

FY19 outlook remains positive

- Abacus long term value proposition enhanced as high conviction owner and manager with refined and narrowed strategic focus
- Recent acquisitions expected to boost funds from operations in near term
- Liquidity levels remain healthy for further acquisitions with a conservative balance sheet
- Increasing third party capital relationships across multiple facets of the Group expected to drive income and capital growth initiatives in near term

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