

19 February 2021

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## Abacus Property Group

### Real Estate

### HOLD

**ABP A\$2.62** **TARGET PRICE A\$2.84**

ABP's Principal Activity is the investment in commercial (office and other) and self storage properties, along with managing the legacy investments in property developments.

#### Company Data

Number of shares	804.4 M
Market Capitalisation	\$2,107.5 M
Free float (%)	55.7
12-month high/low	\$4.00/\$1.93
Average Daily Turnover (\$m)	2.83
% S&P/ASX200	0.11%
DDM Ranking	235
% All Ordinaries	0.09%
GICS Industry Group	Real Estate

Source: FactSet, Barclay Pearce Capital

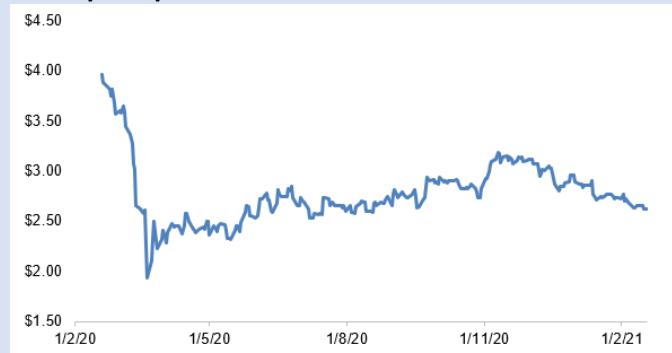
#### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	195.7	168.5	193.0	208.0
EBITDA (\$M)	170.0	156.7	176.2	189.2
Reported NPAT (\$M)	84.7	125.5	147.0	157.0
Adjusted NPAT (\$M)	85.0	123.6	143.5	155.0
Reported EPS (c)	13.0	16.8	18.3	19.3
Adjusted EPS (c - FD)	19.2	16.8	17.7	18.8
Adjusted EPS growth (%)	-40.9	-12.3	5.4	6.3
Adjusted P/E (x)	13.7	15.6	14.8	13.9
Dividend (c/sh)	18.3	16.3	16.9	17.8
Gross yield (%)	7.0	6.2	6.4	6.8
Net yield (%)	7.0	6.2	6.4	6.8
ROIC (%)	2.7	3.6	3.9	4.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## Half Year Results Media Release

On 18<sup>th</sup> February, Abacus Property Group (ABP) announced its results for the half year ended 31 December 2020 with the following highlights:

- Group statutory profit of \$151.8m in HY21, up 85.0% from \$82.1m in HY20;
- Abacus Funds from Operations (FFO) of \$60.6m, down 9.9% from \$67.3m in HY20, with increased contribution from key sectors
- FFO per security of 9.06c, down 14.4% from 10.59c in HY20
- Distribution per security (DPS) of 8.50c, down 10.1% on HY20
- Distribution payout ratio was 94% of FFO
- Gearing at 18.2%, down 830bp on FY20
- Net tangible assets (NTA) per stapled security of \$3.26, down 1.8% on FY20

## Deployment of \$205m capital

Over the course of HY21, ABP has successfully deployed \$205m of capital into their key sectors of Office and Self Storage. This was achieved through a series of acquisitions and joint ventures and funded with a combination of debt and the divestment of non-core assets, notably these investments included:

- 201 Elizabeth Street, Sydney NSW – final tranche settled of a 32% interest for \$202 million with a Charter Hall lead consortium
- Self Storage – \$94 million of acquisitions and \$50 million for the remaining 75% of the Storage King operating platform

ABP's Managing Director, Steven Sewell commented:

*"Following an active half year including the Entitlement Offer, Abacus is in a position to extend its strong track record of investing into long term value enhancing assets."*

*"A combination of established and new collaborative joint ventures has created enduring investment opportunities and facilitated our capital recycling program."*

*"With 89% of total assets now deployed in Office and Self Storage investments, the size, nature and market positioning of these key sector investments will permit the Group to deliver recurring income and value creation over the long term."*

Given the prevailing market conditions, the Abacus Board expects that the distribution for FY21 will reflect a payout ratio of between 85 – 95% of FFO.

## Earnings changes

For H1 FY21 ABP reported a dividend of 8.5c per share. This is largely in line with market expectations of 16.3c per share for the full year. Hence, we don't expect any significant earnings revisions.

## Valuation

We are initiating on ABP with a price target of \$2.84 and a HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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### Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)