



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Abacus Property Group

Business Description

Abacus Property Group (ABP) is a stapled security comprising a share in each of Abacus Group Holdings Limited and Abacus Group Projects Limited and an unit in each of Abacus Trust and Abacus Income Trust, which can only be traded together, having listed on the ASX at \$1.10 per unit in November 2002. The business is principally a property investment and funds management group with interests in property finance, joint ventures and development.

Strategy Analysis

ABP is a fundamental property investor, acquiring assets on balance sheet for later recycling into funds management vehicles. ABP seeks mis-priced assets that offer annuity style cash flow, having the potential for active asset management and capital growth, with transfer to funds management vehicles providing both high margin transaction fees and replacement annuity style fee revenue. The Group has revised its strategy and is now seeking to reweight its Property Investment portfolio, which generates around 68% of EBITDA (as reported in its 31 Dec. 2009 presentation), to higher value, larger and hopefully lower risk assets. They will also seek to take advantage of current market opportunities to increase their balance sheet exposure, in their Projects and Investment portfolio, to development projects, up to 30% of balance sheet assets from currently around 20% based on the 31 Dec. 2009 consolidated balance sheet. Abacus Property Group reported net loss of \$102.41m for the year ended 30 June 2009. The result was principally caused by the property and investment devaluations of \$113m and the derivative (interest rate swaps) devaluations of \$48m. Revenue from ordinary activities were \$138.44m, down 14% from last year. Diluted EPS was (11.81) cents compared to 10.80 cents last year. Net operating cash flow was \$65.59m compared to \$76.71m last year. The final dividend declared was 0.75 cents, taking the full year dividend to 7.75 cents compared with 13.50 cents last year.

28 July 2010

Recommendation

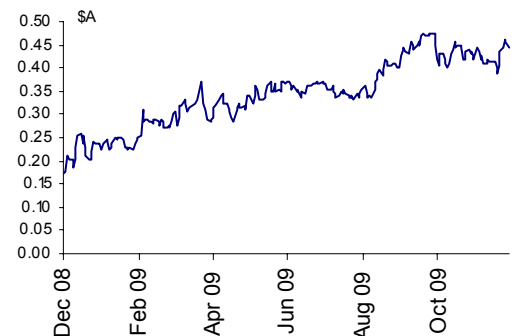
Recommendation: Underperform
Relative to: Small Ind (ex Fins)

Investment Fundamentals

ASX code: ABP
Stock price: \$0.42
Market cap: \$762m

Y/E 30/06/2010		2010e	2011e	2012e	2013e
Reported e	\$m	54.3	71.8	73.9	78.8
Adjusted e	\$m	63.8	71.8	73.9	78.8
EPS adjusted	¢	3.9	4.1	4.1	4.4
EPS growth	%	-56.0	4.3	1.8	5.4
PE	x	10.8	10.4	10.2	9.7
PE relative	x	0.8	0.8	0.8	0.8
DPS	¢	3.2	3.3	3.4	3.5
Yield	%	7.5	8.0	8.1	8.3
Franking	%	0.0	0.0	0.0	

Share Price



Source: ASX and Company accounts

Segment Performance

Property Portfolio	Annual Shareholders' Return (%)	Annual Shareholders' Return	
		1 year	27.0%
Others	45.2	3 year	-30.0%
Ashfield Mall, Ashfield, NSW	12.1	5 year	-10.0%
Westpac House, Adelaide SA	7.5	10 year	0.0%
Allara	6.1		
U-Stow-It Storage facilities	5.9	Dividend Reinvestment Plan	Yes
4 Ray Road, Epping, NSW	5.6	Shareholder Discounts	No
Lennox Plaza, 66 Queen St., QLD	4.7		
Liverpool Plaza, Liverpool, NSW	4.6		
Homemaker City, Moorabbin, NSW	3.5		
Townsville Storage facilities	2.6		
169 Varsity Parade, Varsity Lakes, QLD	2.5		
Total	100.3		
Property Types			
Other	100.0		
Total	100.0		

Company contact details:

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Disclosure: In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that The Macquarie Group acted as Joint Lead Manager and Underwriter to Abacus Property Group in respect of its Rights Issue as announced 27 February 2009. Within the last 12 months, Macquarie Group has received compensation for investment advisory services from Abacus Property Group.
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