# **ABACUS**

# HY24 RESULTS PRESENTATION

**27 FEBRUARY 2024** 







Agenda

**01** Ove

Overview

Steven Sewell, Managing Director Key financial metrics and capital management

Evan Goodridge, CFO Operating performance

Steven Sewell, Managing Director 04 Outlook and guidance

Steven Sewell, Managing Director

#### **HY24 HIGHLIGHTS**





**Portfolio** 

21 Assets

Solid occupancy and WALE across our strategically located portfolio, driving FFO<sup>1</sup> growth of 4.0% compared to HY23



Office

12.5% Leasing spreads

53 new deals in HY24, with leasing spreads driven by 201 Elizabeth Street, achieving spreads of over 35%



Retail

5.4% Average rent review

Strong rent review driven by approximately 40% of the Retail portfolio being linked to CPI reviews



Diversified earnings

4

Income streams

53% Office

20% Retail

20% Self Storage (ASK investment + fees)

7% Other



Capital allocation

\$96 million<sup>2</sup>
Net divestment

Divested two properties within 5% of June 2023 book values

Limited near term capex

<sup>1.</sup> FFO from continued operations.

<sup>2.</sup> Includes \$107 million of proceeds from non-core assets divested post balance date net of \$11m purchase of small adjacent site to 99 Walker Street, North Sydney.

## **HY24 PLATFORM METRICS**



31 December 2023 (Pro forma) <sup>1</sup>	total assets \$2.7bn	WEIGHTED AVG CAP RATE <sup>2</sup> 6.08%	GEARING 30.2% —	NET TANGIBLE ASSETS \$1.92ps
	\$2.8bn	6.07%	31.6%	\$1.92ps
31 December 2023	statutory profit (\$143.6m)	\$40.1m	ffo per security 4.49cps	<sub>дря</sub> 4.25cps

<sup>1.</sup> Includes \$107 million of proceeds from non-core assets divested post balance date and payment of the HY24 distribution to be paid on or about 29 February 2024.

<sup>2.</sup> Cap rate applied to 31 December 2023 pro forma investment properties of \$1,920.1m and 31 December 2023 investment properties of \$2,027.1m.

#### **HY24 BALANCE SHEET ALLOCATION**



#### 31 December 2023 (pro forma)<sup>1</sup>

Total Assets Office 14 properties \$1,608 m 3 properties Retail \$385 m ASK 19.8% shareholding in ASK \$400 m Non-property assets and 2 greenfield Other \$276 m assets (Riverlands<sup>3</sup> and Camellia<sup>4</sup>)

30 June 2023

\$7	
4	

Total Assets<sup>2</sup>

67%	OFFICE • \$1.7 bn	19% RETA \$0.5	14% OTHER bn 14% \$0.3 bn
	Office	\$1,703 m	15 properties
	Retail	\$466 m	4 properties
$\bigwedge \hspace{-1em} \longleftrightarrow \hspace{-1em} \bigwedge$	Other	\$365 m	Non-property assets and 2 greenfield assets (Riverlands and Camellia)

<sup>1.</sup> Includes \$107 million of proceeds from non-core assets divested post balance date and payment of the HY24 distribution to be paid on or about 29 February 2024.

<sup>2.</sup> Excludes assets associated with discontinued operations of \$3.1 billion.

<sup>3.</sup> Valued at \$12.5m as at 31 December 2023.

<sup>4.</sup> Valued at \$65.2m as at 31 December 2023.



#### **CONSISTENT STRATEGY**



To create exceptional value for our customers and stakeholders through the identification, ownership and management of a portfolio of real estate investments.

To concentrate on select real estate sectors that deliver long-term, sustainable outcomes through active investment, asset and development management, and a strong focus on customer requirements and brand awareness.

#### Investment management

Strategically invest in assets in major markets with a clear path to sustainable income growth.

#### Asset and development management

Provide Commercial space solutions with compelling value propositions for our customers.

#### Customer and brand management

Through close engagement with customers, deliver best in class Commercial property services that meet their evolving needs. In doing so, build our brands to be the most respected, responsive and recognised in their markets.

#### Abacus Storage King

Provide funds management, asset management and development management services under agreement with Abacus Storage King (ASX:ASK).

We are **entrepreneurial** and deliver innovative and informed market insights and solutions

We are **responsible** and aim to do the right thing and make a positive difference

We are **accountable** and answerable for our actions and decisions

## **ABACUS**

KEY FINANCIAL
METRICS &
CAPITAL
MANAGEMENT

**EVAN GOODRIDGE** 

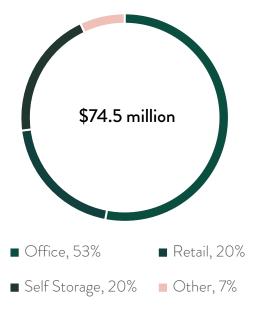




## **OPERATING EARNINGS SUMMARY**

\$ millions	HY24	HY23 <sup>2</sup>	Change	Comments
Office LFL net rental FFO <sup>1</sup>	33.5	32.3	3.7%	Driven by increase in occupancy and rent reviews
Office Non-LFL net rental FFO <sup>1</sup>	5.9	8.4	(29.8%)	Includes divestments of 33 Queen Street, Brisbane QLD and 187 Todd Road, Port Melbourne VIC
Retail LFL net rental FFO <sup>1</sup>	14.9	14.4	3.5%	Approximately 40% of rent reviews for the period are CPI linked
Self Storage - ASK fees	7.1	-	-	Reflects 40bps GAV from August 2023 and development management fees
Self Storage - ASK return on investment	7.4	-	-	Equity return on the Group's 19.8% ownership of ASK
Other fees & income	5.7	6.1	(6.6%)	Management fees and other income from JV's and co-ownerships
Operating earnings	74.5	61.2	21.7%	
Administrative and other expenses	(16.0)	(17.1)	(6.4%)	
EBIT	58.5	44.1	32.7%	
Net finance costs	(19.4)	(4.4)		Reflects HY24 WACD of 4.1%
Tax expense	(0.2)	(2.3)		Reflective of lower tax payable during the period
FFO from continuing operations	38.9	37.4	4.0%	
FFO from discontinuing operations	1.2			Reflects one month of fees, and ownership of three Self Storage assets sold to ASK as part of the de-staple
FFO	40.1			
FFO per security (cents)	4.5			
Distribution per security (cents)	4.25			
FFO payout ratio	95%			

#### HY24 operating earnings



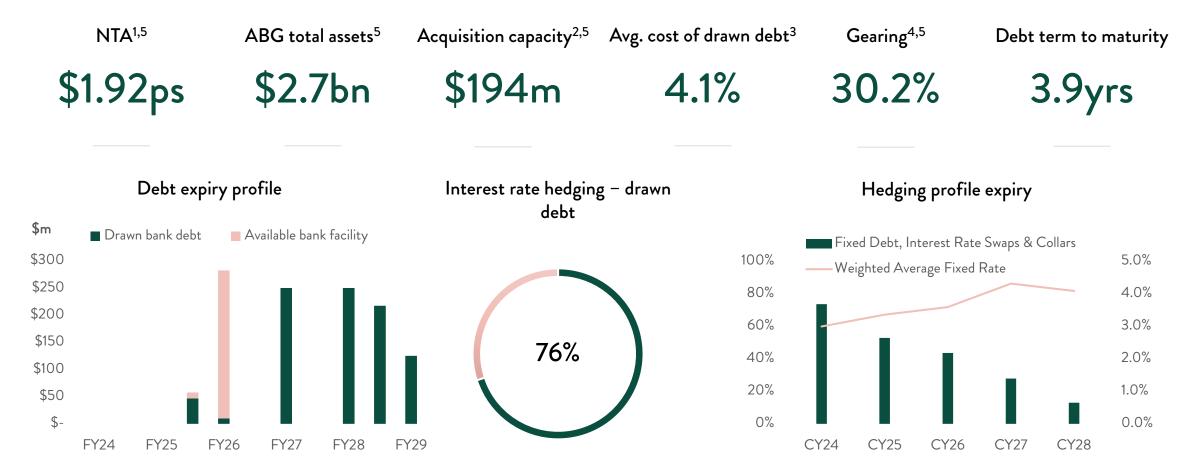
<sup>1.</sup> FFO adjusted rental income less property expenses. FFO is defined on slide 23.

<sup>2.</sup> Reflects FFO from the four remaining stapled entities of Abacus Group.

#### CAPITAL MANAGEMENT



~\$200m acquisition capacity, with low levels of capital expenditure forecast in the short to medium term



<sup>1.</sup> NTA calculated as: (net assets less goodwill less DTA plus DTL) divided by total securities as at 31 December 2023.

<sup>2.</sup> Based off 35% gearing (top of target 25%-35% gearing range).

<sup>3.</sup> FY24 guidance for avg. cost of drawn debt 4.5% assuming average floating rate of 4.5%.

<sup>4.</sup> Calculated as bank debt (\$830.2m) less cash (\$33.7m) divided by total assets less cash (\$2,669.1m).

<sup>5.</sup> Pro forma: includes \$107 million of proceeds from non-core assets divested post balance date and payment of the HY24 distribution to be paid on or about 29 February 2024.





## **HY24 VALUATION UPDATE**

Bond yields continue to impact cap rates

Investme	ent Portfolio	Office	Retail	ASK	Other
No. of	31 December	15 assets	4 assets	n/a	2 assets
properties	31 December (pro forma) <sup>1</sup>	14 assets	3 assets 00	n/a	2 assets \$
HY24	31 December	\$1,639m	\$461m	\$400m	\$276m <sup>2</sup>
carrying value	31 December (pro forma) <sup>1</sup>	\$1,608m	\$385m	\$400m	\$276m <sup>2</sup>
	roperty valuation nt since FY23	↓ \$114 million ↓ 7.1%		n/a	$\downarrow$ \$7 million $\downarrow$ 9.2%
HY2	4 WACR	5.95%	6.36%	n/a	n/a
FY23	3 WACR	5.59% <sup>3</sup>	6.16%4	n/a	n/a

<sup>1.</sup> Pro forma: includes \$107 million of proceeds from non-core assets divested post balance date and payment of the HY24 distribution to be paid on or about 29 February 2024.

<sup>2.</sup> Includes 2 greenfield assets: Riverlands (\$12.5m) and Camellia (\$62.5m).

<sup>3.</sup> Cap rate applied to office portfolio properties of \$1,703m.4. Cap rate applied to retail portfolio properties of \$466m.

## **ABACUS**

# OPERATING PERFORMANCE

STEVEN SEWELL



#### **BUSINESS MODEL**

#### **CORE BUSINESS**

INVESTMENT MANAGEMENT

ASSET + DEVELOPMENT MANAGEMENT CUSTOMER + BRAND MANAGEMENT

#### **ENABLERS**



OUR PEOPLE AND CULTURE



OUR RESPOSITIONING CAPABILITY



OUR MARKET INSIGHT

#### AREAS OF FOCUS AND OPPORTUNITY

**CUSTOMER ENGAGEMENT** 

CONTINUED CULTURE OF TEAMWORK, COLLABORATION AND INCLUSION IN A SAFE ENVIRONMENT

STRATEGIC PARTNERING

RESPONSIBLE AND SUSTAINABLE EVOLUTION OF CORE BUSINESS

TECHNOLOGY APPLICATIONS AND DATA ANALYTICS

STRONG AND STABLE BALANCE SHEET WITH FLEXIBLE FINANCING OPTIONS







## **OFFICE SNAPSHOT**

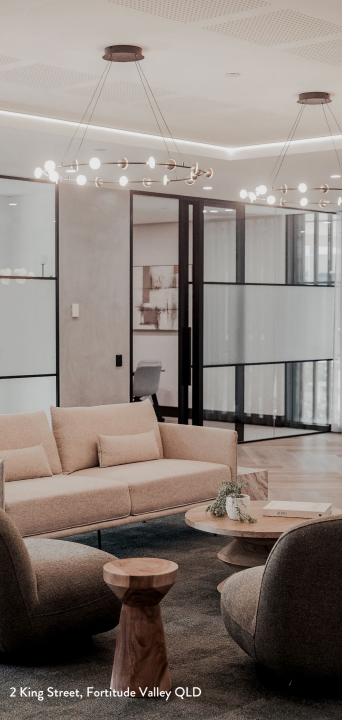
Portfolio of 15 Office assets valued at \$1.6 billion<sup>1</sup>

OCCUPANCY <sup>1,2</sup>	WALE <sup>1,2</sup>	YTD LEASING DEALS	YTD LFL RENT GROWTH <sup>2</sup>
92.6%	3.8yrs	53	5.4%
FY23: 95.0%	FY23: 3.7yrs	HY23: 54	HY23: 3.0%
WACR <sup>1</sup>	A GRADE BUILDINGS <sup>1,3</sup>	TENANT CUSTOMERS <sup>1,4</sup>	SME CUSTOMERS <sup>1,4,5</sup>
5.95%	76%	319	63%
FY23: 5.59%	FY23: 76%	FY23: 314	FY23: 61%

<sup>1.</sup> As at 31 December 2023.

Excludes development affected assets (201 Elizabeth Street, Sydney NSW and Virginia Park, Bentleigh East VIC).
 Excludes Virginia Park, Bentleigh East VIC (part Industrial).
 Includes all assets managed by Abacus Group (Office portfolio as well as 4 Martin Place, Sydney NSW).

<sup>5.</sup> By number of customers.



#### 76% A GRADE OFFICE PORTFOLIO



A grade portfolio in premium locations underpinned by a diversified SME customer base



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

1. By fair value.

3. By rent.

4. By count.

Market profile: Geography<sup>1</sup>

Melbourne Sydney CBD & Fringe CBD & Fringe

Asset profile: Grade<sup>1,2</sup>

Asset profile: Life cycle<sup>1</sup>

Stabilised

Customer profile: Top 5 industries<sup>3</sup>

Financial Non-Professional Services

Customer profile: SME customers<sup>4</sup>

SME Other 63% 37%

5. Customer Satisfaction Survey (completed on behalf of ABG by Future Forma). Poor (<15), below average (<40), average (<65), above average (<85), very good (<100).

#### OFFICE LEASING METRICS

Strong leasing spreads achieved in a challenging office environment



22,776

 $sqm\ leased^1$ 

HY23: 25,379sqm

70% new

30% renewals



31%

average gross incentive

HY23: 31%

31% on new deals

31% on renewals



12.5%

leasing spreads

HY23: 9.4%

11.5% on new deals

13.4% on renewals



3.7%

average rent review

HY23: 4.1%

98% fixed

2% CPI



\$743psm

average net face rent<sup>2</sup>

HY23: \$737psm

\$901 average CBD<sup>2</sup>

\$521 average fringe<sup>2</sup> rent



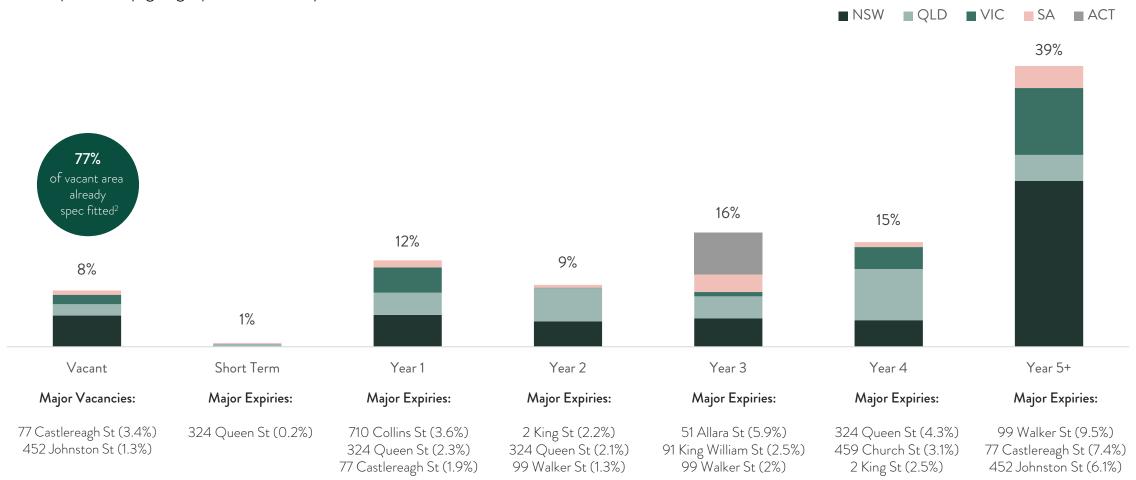
<sup>2.</sup> As at 31 December 2023. Sydney and Melbourne assets excluding development affected assets.



#### OFFICE LEASING EXPIRY<sup>1</sup>



Underpinned by geographical diversity



<sup>1.</sup> By income and excludes development affected assets as at 31 December 2023.

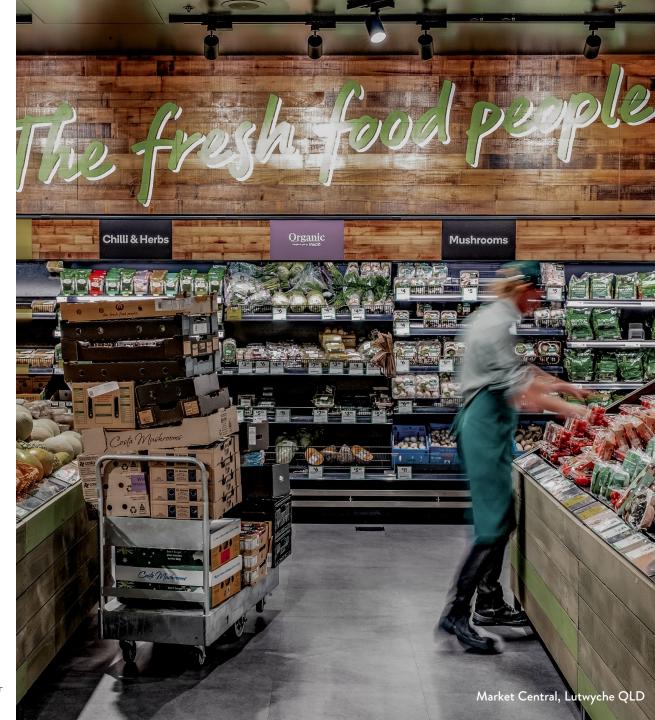
<sup>2.</sup> As at 27 February 2024, 77% of vacant space has completed fitouts that are ready to lease.

## **RETAIL SNAPSHOT**

Portfolio of 4 Retail assets (3 centres and 1 CBD asset) valued at \$0.5 billion<sup>1</sup>

OCCUPANCY <sup>1</sup>	WALE <sup>1</sup>	YTD LEASING DEALS <sup>2</sup>
94.5%	5.5yrs	20
FY23: 95.2%	FY23: 5.8yrs	HY23: 30
YTD RENT GROWTH	WACR <sup>1</sup>	LEASING SPREAD
5.5%	6.36%	3.3%
HY23: 0.2%	FY23: 6.16%	FY23: (1.6%)

<sup>2. 32</sup> leading deals completed in HY24, however 12 deals are subject to approval of the Ashfield Mall purchaser (refer to ASX announcement on 23 January 2024).



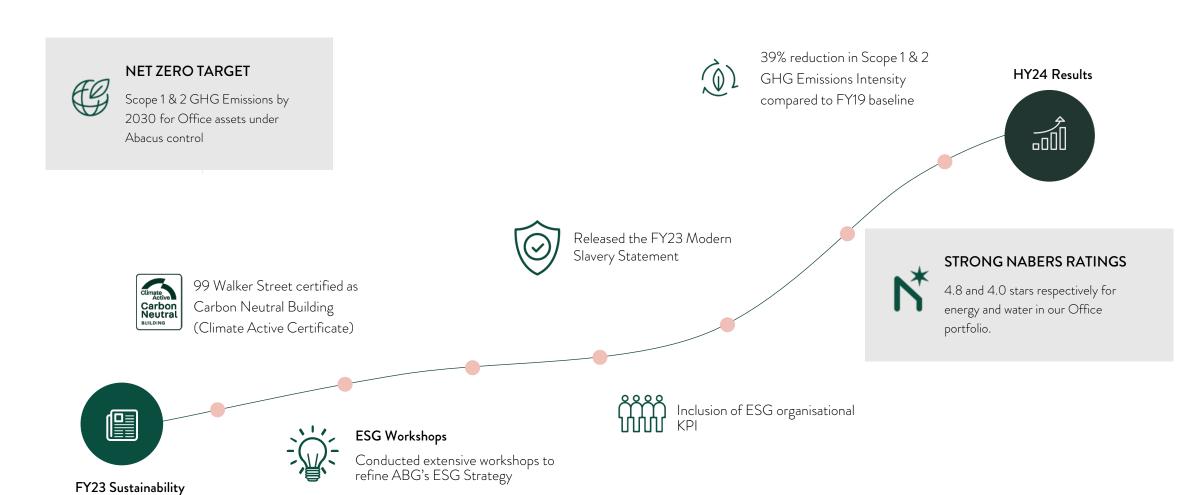
<sup>1.</sup> As at 31 December 2023.



#### SUSTAINABILITY PROGRESS

Report released

Abacus continues to embed sustainable practices across the business



## SUSTAINABILITY: TRACKING OUR PROGRESS





<sup>1.</sup> Emission and Water intensities of HY24 are from January 2023 to December 2023.

<sup>2.</sup> NABERS Energy and Water ratings of HY24 are based on 2024 SPI (office assets).

<sup>3.</sup> Diversion from landfill of HY24 is from July 2023 to December 2023.

# **ABACUS**

# OUTLOOK AND GUIDANCE

STEVEN SEWELL



#### **OUTLOOK AND GUIDANCE**



Owning and managing an Australian eastern seaboard focused Commercial portfolio and external management of Abacus Storage King (ASX:ASK)





#### Abacus Group

Active asset management and diversified leasing strategies to drive income growth throughout our portfolio



#### FY24 Guidance

- Reaffirming Abacus Group FY24 distribution guidance of 8.5 cents per security
- Distribution payout ratio assumed to be in the range of 85%-95% of FFO

Our guidance is predicated on no material deterioration in current business conditions

## **ABACUS**

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## STATUTORY EARNINGS RECONCILIATION

Performance metrics (\$m)	HY24
Net profit attributable to ABG securityholders	(143.6)
Discontinued operations	(1.0)
Fair value adjustments	170.9
Depreciation and amortisation	1.7
Rent straight-lining & incentives & one off adjustments	7.9
Tax benefit on FFO items	4.2
FFO	40.1

Term	Definition
Funds from operations (FFO)	FFO is in line with the PCA's definition and comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments and reversal of impairments, derivative and foreign exchange mark-to-market impacts, fair value movements on investment properties accounted for at fair value, fair value of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, non-FFO tax expenses, certain transaction costs, one-off significant items, amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.



## FFO PROFIT AND LOSS

Performance metrics (\$m) <sup>1</sup>	HY24	HY23	Comments
Rental income	77.4	76.4	Driven by increase in LFL occupancy and rent reviews
Fee, finance and other income	9.7	2.4	Increase due to ASK fees received from August 2023
Share of profit from equity accounted investments	10.5	3.7	Increase due to 19.8% ownership of ASK
Total revenue	97.6	82.5	
Property expenses	(23.1)	(21.3)	Increase primarily due to statutory, insurance and electricity (including purchase of green power)
Operating earnings	74.5	61.2	
Administrative and other expenses	(16.0)	(17.1)	Reduction mainly driven by savings in rent due to Abacus head office relocation to 77 Castlereagh Street and other cost saving initiatives
EBIT	58.5	44.1	
Net finance costs	(19.4)	(4.4)	Reflects HY24 WACD of 4.1%
Tax expense	(0.2)	(2.3)	Reflective of lower tax payable during the period
FFO from continuing operations	38.9	37.4	
FFO from discontinued operations	1.2		Reflects one month of fees, and ownership of three Self Storage assets sold to ASK as part of the de-staple
FFO	40.1		
Weighted average securities as at December 2023 <sup>2</sup>	893,657,633		

<sup>1.</sup> FFO is defined on slide 23.

<sup>2.</sup> Weighted average securities used in FFO/security calculation.



## **BALANCE SHEET OVERVIEW**

\$ millions	HY24
Investment properties	\$2,027.1m
PP&E, equity and other investments, financial and other assets	\$619.5m
Loans	\$55.9m
Cash and cash equivalents	\$33.7m
Goodwill and intangibles	\$32.4m
Deferred tax assets	\$7.5m
Total assets	\$2,776.1m
Interest bearing liabilities	\$934.2m
Other liabilities	\$86.5m
Deferred tax liabilities	\$9.7m
Total liabilities	\$1,030.4m
Net assets	\$1,745.7m
Total securities as at 31 December 2023	893,657,633

B1 Dec	ember 202	23	
\$'		O.	
	<u></u>	Ob	Total Assets
<b>59</b> %	OFFICE \$1.6 bn	17% RET.	AIL 14% ASK 10% OTHE \$0.3 b
	Office	\$1,639 m	15 properties
	Retail	\$461 m	4 properties
	ASK	\$400 m	19.8% shareholding in ASK
	Other	\$276 m	Non-property assets and 2 greenfield assets (Riverlands¹ and Camelia²)

<sup>1.</sup> Valued at \$12.5m as at 31 December 2023.

<sup>2.</sup> Valued at \$65.2m as at 31 December 2023.



## **DEBT FACILITIES**

Capital management metrics	HY24	Comments
Total bank debt facilities	\$1,183m	
Total bank debt drawn	\$899m	
Term to maturity	3.9yrs	
Interest rate hedging <sup>1</sup>	76%	
Weighted average hedge maturity	2.5yrs	
Average cost of debt - drawn	4.1%	
Average cost of debt - fully drawn	4.0%	
Group gearing	31.6%	Calculated as bank debt net of cash divided by total assets net of cash.
Look through gearing	36.0%	Includes impact of JV gearing: ASK 29.3%, 241 Adelaide St, QLD 42.3%, Virginia Park 16.6%. The net impact on look through gearing is an additional \$289m of assets and an additional \$235m of bank debt
Gearing calculated for covenant measures/covenant	36.7% / 50%	Total liabilities net of cash divided by total tangible assets net of cash
Interest coverage ratio/covenant	2.8x / 2.0x	EBITDA divided by interest expense



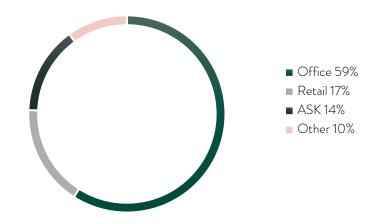


Portfolio metrics HY24	Office	Retail	ASK	Other <sup>1</sup>	Total
Value (\$m)	1,639	461	400	276	2,776
No. of assets	15	4	-	2	21
NLA <sup>2,3</sup> (sqm)	138,209	62,406	-	-	200,615
WACR (%)	5.95	6.36	-	-	6.04
Occupancy <sup>2</sup> (% by area)	92.6	94.5	-	-	93.2
Average net face rent <sup>2</sup> (\$ psm)	680	649	-	-	670
WALE <sup>2</sup> (yrs by \$)	3.8	5.5	-	-	4.3

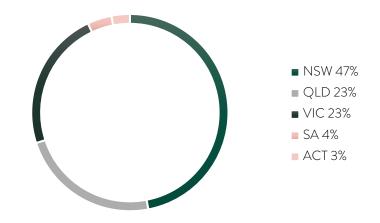
Asset ownership (number of assets)	NSW	QLD	VIC	SA	ACT
100% owned	6	2	1	-	1
50% owned	2	3	3	1	-
<50% owned	1	-	1	-	-

#### 1. Includes cash and other non-property assets.

#### Investment portfolio sector diversification



#### Investment portfolio geographic diversification<sup>4</sup>



<sup>2.</sup> Excludes development affected assets.

<sup>3.</sup> Abacus ownership basis.

<sup>4.</sup> Excludes cash and other non-property assets.

## A

#### **COMMERCIAL CAPABILITY**

Assets in focus with strong income growth potential and low capex requirements over the short to medium term

Asset		99 Walker Street, North Sydney NSW <sup>1</sup>	77 Castlereagh Street, Sydney NSW	14 Martin Place, Sydney NSW	The Oasis, Broadbeach QLD	324 Queen Street, Brisbane QLD
D0	Occupancy (%)	98.5	77.6	94.7	93.7	95.2
Key oper metri	Average net face rent (\$ psm)	807	1,112	1,103	681	798
	WALE (yrs)	4.6	3.8	3.7	4.8	3.2
	NLA <sup>2</sup> (sqm)	18,962	13,184	6,576	25,465	19,424
	End of trip			Expected FY24		
Active asset management strategies	Flex space		NA		<b>©</b>	<b>⊚</b> <sup>3</sup>
	Suite strategy					
	Customer engaging score	83	88	70	76	71

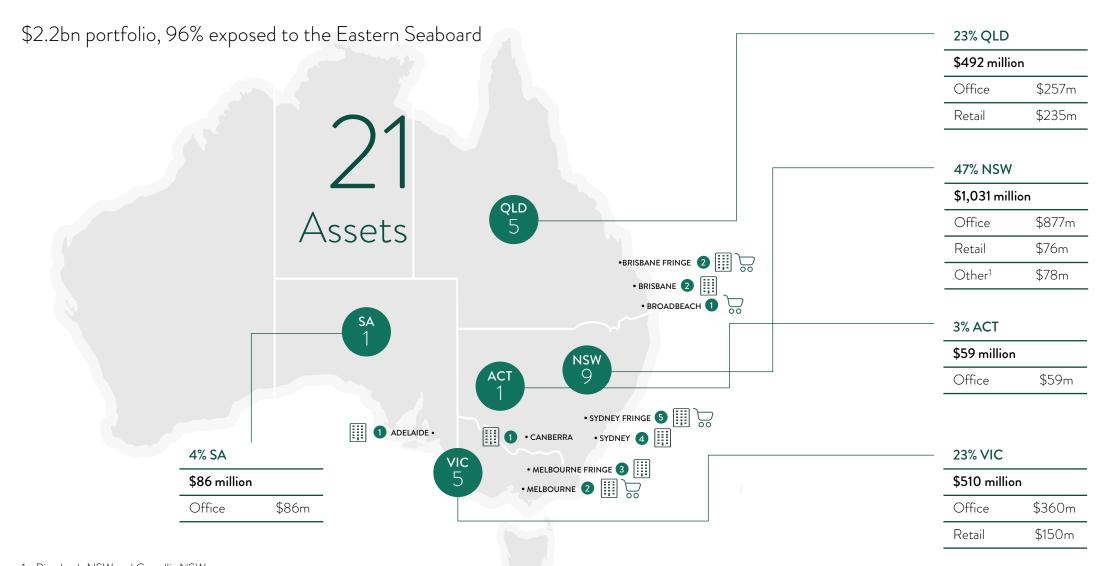
<sup>1.</sup> Excludes small adjacent building.

<sup>2.</sup> Abacus ownership basis.

<sup>3.</sup> Flex Space operated by external provider.



#### **COMMERCIAL PORTFOLIO**

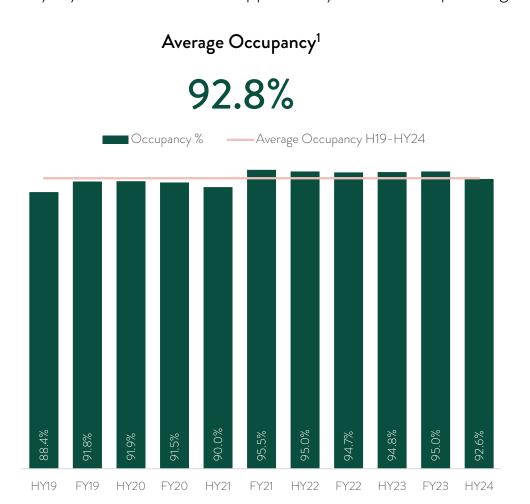


<sup>1.</sup> Riverlands NSW and Camellia NSW.





Annuity style business model supported by consistent operating metrics



Average WALE<sup>1</sup>





<sup>1.</sup> Office portfolio excluding development affected assets.

## SELF STORAGE GENERATED INCOME

ABG income and fees received from ASK

Fee type Fee description		HY24 impact
Management fee	0.4% of ASK gross asset value	\$5.2 million <sup>1,2</sup> (40bps of \$3.1b gross assets)
Development management fee	5.0% of total development costs (TDC) up to a total of \$2.5m and 3.0% of TDC above \$2.5m  Fixed fee of \$100,000 for planning work up to each development application lodgement	\$1.9m
Share of (loss) / profit from ABG's 19.8% share of ASK equity accounted investments FFO		\$7.4 million <sup>2</sup>



<sup>1. 40</sup>bps of \$3.1bn ASK gross assets represents the annual management fee.

<sup>2.</sup> Reflects 5 months.



## **GLOSSARY**

Term	Definition	Term	Definition
ABG	Abacus Group	KL/SQM	Kilolitres per square metre
ASK	Abacus Storage King	KPI	Key performance indicator
ASX	Australian Securities Exchange	LFL	Like for like
CBD	Central business district	NABERS	National Australian Built Environment Rating System
СРІ	Consumer price index	NLA	Net lettable area
CPS	Cents per stapled security	NTA	Net tangible assets
DPS	Distribution per stapled security	PCA	Property Council Australia
DTA	Deferred tax assets	PP&E	Property, plant and equipment
DTL	Deferred tax liabilities	PS	Per stapled security
EBIT	Earnings before interest and taxes	PSM	Per square metre
EBITDA	Earnings before interest, taxes, depreciation and amortisation	SME	Small medium enterprise
ESG	Environmental, Social and Governance	SPI	Sustainable Portfolios Index
FFO	Funds from Operations	SQM	Square metre
FY	Financial year	T/SQM	Tonnes per square metre
GAV	Gross asset value	WACD	Weighted average cost of debt
GHG	Greenhouse gas	WACR	Weighted average capitalisation rate
HY	First half of financial year	WALE	Weighted average lease expiry
JV	Joint venture	YTD	Year to date



# IMPORTANT INFORMATION

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