

A photograph of a modern, multi-story glass office building at dusk. The building's facade is composed of large glass panels reflecting the dark sky. The structure is angular, with a prominent corner. In the foreground, there is a landscaped area with some greenery and a paved walkway. The overall scene is dimly lit, with the building's interior lights providing some illumination.

GARDA CAPITAL GROUP

(ASX CODE: GCM)

HALF YEAR RESULTS PRESENTATION

23 FEBRUARY 2018

HIGHLIGHTS



47% increase in non investment operating revenue.



22% increase in investment revenue.



8.2% increase in group net asset position over the half year.

FUNDS MANAGEMENT

- Assets under management (AUM) increased 12% from \$188.1 million to \$211.5 million over the half year.
- The unconditional contracted purchase of Wacol, the completion of the Pinkenba works, and the Botanicca 9 new build increases AUM 40% to \$295 million over next 12 months.
- A further \$30 million of assets currently under consideration.
- The commencement of the Botanicca 9 office project (new build for GDF) in November provides GCM with increased capital expenditure fee revenue over the next 12 months from approximately \$30 million of capital expenditure.
- GCM sub-underwrote \$10 million of GDF's \$30 million entitlement offer in December 2017 generating a 2% underwriting fee.

INVESTMENT

- GCM increased its investment in GDF to 13.5% through its \$10 million participation in the entitlement offer.
- This was funded by a new three (3) year syndicated term loan at a cost of 7% per annum.
- GCM's investment in GDF now totals \$22 million at the December 2017 closing price of \$1.18 per unit.
- \$0.9 million increase fair value gain during the half year on the Group's GDF investment.
- The Group's \$1.2 million (advance) senior debt investment has generated approximately \$0.45 million in capitalised interest and fees over the full 2017 calendar year.
- The Group currently has approximately \$3.8 million in capital available for investment.

RESULTS OVERVIEW - BALANCE SHEET

SUMMARISED STATEMENTS OF FINANCIAL POSITION	HALF YEAR 31-DEC-17 \$000'S	FULL YEAR 30-JUN-17 \$000'S
ASSETS		
Cash and cash equivalents	5,731	5,947
Trade and other receivables	2,791	1,942
Financial assets	22,067	11,205
Investment properties	1,250	1,201
Deferred tax asset	80	343
Intangible assets	374	415
Other assets	64	70
TOTAL ASSETS	32,357	21,123
LIABILITIES		
Trade and other payables	632	797
Borrowings	11,970	2,070
Other liabilities	38	33
TOTAL LIABILITIES	12,640	2,900
NET ASSETS	19,717	18,223

- \$1.5 million (8.2%) increase in Net Assets for the half year from \$18.2 million to \$19.7 million.
- Total assets increased by \$11.2 million to \$32.4 million.
- The increase is predominantly attributable to the Group's increased holding in GDF, now 18.7 million units following the allotment of 8.7 million units (\$10.0 million) as part of the GDF entitlement offer completed in December 2017.
- The Group's GDF equity co-investment (financial assets) is carried at the ASX closing price of \$1.18 per unit, compared to an underlying GDF NTA of \$1.19 per unit.
- The Group's borrowings increased by \$10.0 million after obtaining a 3 year 7% p.a. debt facility to finance the Group's participation and sub-underwriting of the GDF entitlement offer.

RESULTS OVERVIEW – PERFORMANCE

SUMMARISED STATEMENT OF PROFIT OR LOSS	31-DEC 2017 (000'S)	31-DEC 2016 (000'S)
Revenue	3,107	2,201
Other Income	911	350
Total Revenue	4,018	2,551
SEGMENT REVENUE		
Fund Management	2,055	1,342
Equity Co-Investment	475	486
Property Debt Advisory	394	321
Real Estate Debt Investment	183	53
Total Segment Revenue	3,107	2,201
Operating expenses	(1,608)	(1,491)
Operating EBIT	1,499	710
Interest expense	(116)	(172)
Operating profit before income tax	1,383	539
Income tax benefit/(expense)	(263)	576
Operating profit after tax	1,120	1,115
Specific non cash and mtm income	911	350
Specific non cash and mtm expenses	(57)	(55)
Net Movement	854	295
Statutory profit after tax	1,974	1,410
Statutory EPS	8.2	6.1
Operating EPS	4.7	4.6
DPS (cents)	1.9	2.0

- Net profit after tax of \$2.0 million, an increase of \$0.6 million from the prior half year.
- Earnings per stapled security of 8.2 cents, an increase of 34% or 2.1 cents from the prior half year.
- Total Revenue up 58%:
 - operating revenue up 41%; and
 - other income (gain on financial asset) up 160% on prior period.
- Strong underlying investment returns from the Group's co-investment in GDF, receiving 4.5 cents per unit and a mark to market value increase of \$0.9 million during the period.
- Operating expenses were in line with expectations and the prior period.
- Non cash income represents the mark-to-market income gain on the Group's co-investment in GDF for the financial year.
- Non cash expenses include depreciation and amortisation.
- Income tax payable will be 100% offset in H1FY2018 by the Group's current deferred tax asset position.

HOW GARDA MEASURES VALUE

	31-DEC-17 (\$000'S)	ADJUSTMENTS H2FY2018 (\$000'S)	30-JUN-18 (\$000'S)
NON INVESTMENT OPERATING REVENUE			
Funds Management	2,055		
Property Debt Advisory	394		
Total Non Investment Operating Revenue	2,449		
Operating expenses	(1,608)		
EBIT	841		
Interest expense (non-investment debt)	(116)		
Income tax benefit/(expense)	(263)		
Net operational earnings	462	(A)	462 + (A)
MULTIPLE AND ENTERPRISE VALUE			
FY2018 Earnings Multiple			? Times
EV of operational activities, i.e. Company			\$
VALUE PER SECURITY			
Group Net Asset Value at 31 December 2017 (\$000's)			19,700
Total Value (EV + NAV) (\$000's)			\$
No. of Securities (000's)			25,230
Value per security (\$)			\$

The Group's approach to valuation utilises a combination of:

- A capitalised maintainable earnings approach; and
 - An asset based valuation.
- Accordingly total Group value could be assessed by:
- Applying a multiple to an estimate of a full year non-investment operating profit (maintainable earnings)
- add**
- The net assets of the Group (investment capital).
- Adjustments to the half year non-investment operational profit or calculation of an annualised full year position might include:
- Impact on second half revenue from AUM movement;
 - Impact on second half revenue from capital expenditure and associated fees;
 - Impact on second half revenue from transactional events, leasing, sales commissions, and underwriting; and
 - Changes to operating or finance expenses.
- Note 3(a) of the half year financial statements provides a detailed breakdown of revenue.

MEASURING RETURNS ON CAPITAL

Investment Revenue	H1FY2018 (\$000's)
Equity co-investment – income	450
Equity co-investment - capital (fair value gains)	862
Equity co-investment - total return	1,312
Real estate debt investment	183
Returns generated on capital invested	1,495

	Equity	Debt
Deployed Investment capital (\$000's)	11,200 ¹	1,230
% return for half year (not annualised)	11.7%	14.9%

Capital available for investment (\$000's)	3,800
Total capital for investment (\$000's)	16,230
% Return (half year - not annualised)	9.20%

¹ Excludes \$10 million invested into GDF on 21 December 2017

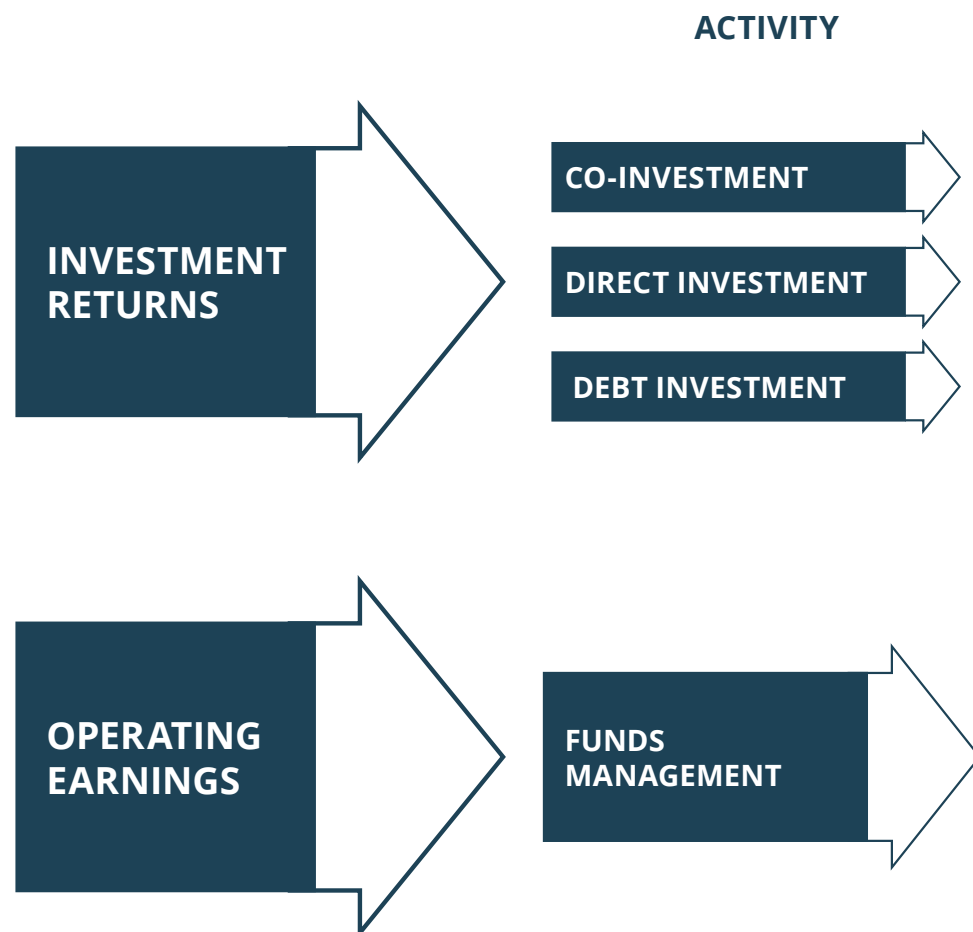
Equity Investment

- Investment revenue (non operating) combined with fair value changes (other income) provide a measure of performance on capital deployed.
- Equity co-investment income is the distributions received from the Group's investment in GDF.
- Fair value changes reflect the movement in value (closing price) of the Group's investment in GDF.
- The combination of the distributions and the fair value changes provide a total return on that capital deployed.

Debt Investment

- Returns on debt investment comprise both interest and fee revenue.
- Only interest is reflected here as the fee revenue is reflected in operational earnings and is therefore not repeated as a return on capital invested.
- Management however assess all debt opportunities considering both the fee and the interest revenue.
- The Group deployed \$1.215 million through the calendar year into the current real estate debt investment with the initial advance in January 2017.
- This investment has generated \$0.455 million in capitalised interest and fees from initial draw to 31 December 2017 with this return increasing to \$0.625 million by 28 February 2018.

BUSINESS MODEL



HOW GCM INVESTS AND OPERATES

- GCM holds 13.5% or 19 million units in GARDA Diversified Property Fund – NTA of \$22 million
- This receives a 9cpu p.a. income return.
- Capital returns reflect the movement in the GDF security value.

- GCM may hold property directly.

- GCM also invests in property through debt positions including senior and junior debt.

- Funds management fees of 65bps of AUM of GDF, up to \$0.75bn and 60bps above \$0.75bn.

- Property and facilities management fees payable calculated on gross revenue.

- GCM may receive the following fees from GDF:

- Capital expenditure fee equal to 5% of deployed capital.
- Leasing (5% to 20%) and sales agency fees.
- Underwriting fees for equity capital raising.

- GCM generates recurring and transactional fees from investment in and arrangement of debt for third parties.

- GDF had \$211.5 million of AUM at December 2017 up from \$188.1 million at June 2017

- AUM will increase to ~ \$295 million over next 12 months on current projects alone.

- Every \$100 million increase in AUM, generates approximately a \$1.0 million increase in recurring revenue.

OUTLOOK

- A constant focus on increasing assets under management via acquisitions by the GARDA Diversified Property Fund.
 - Contracted acquisitions and the Botanicca 9 new build increases AUM 40% to \$295 million over next the 12 months.
 - A further \$30 million of assets is currently under consideration.
- The commencement of the Botanicca 9 office project (new build for GDF) in November provides GCM with increased capital expenditure fee revenue over the next 12 months from the anticipated \$30 million of capital expenditure in addition to ongoing GDF capex program.
 - GDF reported anticipated ongoing capex of \$2 million for H2FY2018 similar to first half reported \$2.3 million; and
 - \$6 million for Botanicca 9 in H2FY2018.
- There are currently no asset sales anticipated to occur in H2FY2018 but possible in FY2019.
- The Group's increased investment in GDF, funded by the new debt facility will amplify the impact of fair value changes.
- The Group is considering alternative debt opportunities that may see the full deployment of the Group's remaining available investment capital of approximately \$3.8 million.

DISTRIBUTIONS AND DIVIDENDS

- Distributions to security holders currently reflects a pass through of income received by the Group (GARDA Capital Trust) from its investment in GDF.
- H1FY2018 distributions totalled 1.87 cents per security made from two equal quarterly payments.
- Full year distribution guidance of 3.87 cents per unit.
- An FY2018 corporate dividend will be considered at financial year end.

REAL ESTATE EQUITY INVESTMENT

REAL ESTATE INVESTMENT

PRIMARY EQUITY INVESTMENT IS SUBSTANTIAL UNITHOLDER POSITION (13.5%) IN GARDA DIVERSIFIED PROPERTY FUND

18.7m UNITS

\$22.25m at NTA

\$0.09

PER UNIT

FORECAST FY2018
GDF DISTRIBUTIONS

50% TAX

ADVANTAGED
INCOME

**STRATEGIC
GROUP
CO-INVESTMENT**

- The GDF investment is considered both strategic to Group activities as well as compelling from a stand alone investment perspective given it presently yields 7.8% and it's strong outperformance against the S&P/ASX A-REIT 200 & 300 indices since IPO in July 2015.
- The Group invested \$10 million to acquire 10 million units at IPO and has recently invested a further \$10.0 million to acquire a further 8.7 million units under the recent GDF entitlement offer, offered at a 5.0% discount to the then NTA of \$1.21.
- The annualised investment return of these units of \$1.683 million and demonstrating a yield of 8.4% on cost.

GDF AT A GLANCE

\$295 MILLION AUM

COMMERCIAL AND INDUSTRIAL PORTFOLIO
~\$160 MILLION MARKET CAPITALISATION

5.5 YEARS

WALE¹

97%

OCCUPANCY¹

\$1.19

NTA PER UNIT

FY2017 DISTRIBUTION

\$0.09 /UNIT

7.11%

WEIGHTED AVERAGE
CAP RATE²

27.1%

LVR³

**ALIGNED
MANAGER**

GARDA CAPITAL
(ASX CODE: GCM)
HOLDS 13.5% OF GDF UNITS

H1FY2018
PAYOUT RATIO

91.6%

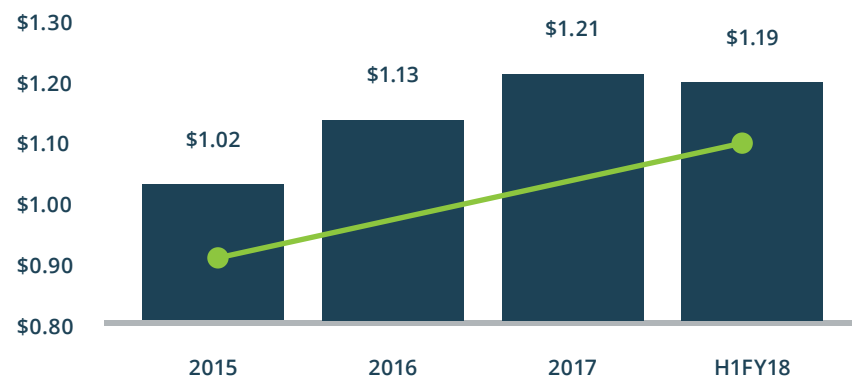
¹ WALE and occupancy as at 1 January 2018, including HOA.

² Weighted average capitalisation rate includes the upon completion value and cap rate for the three acquisitions under construction.

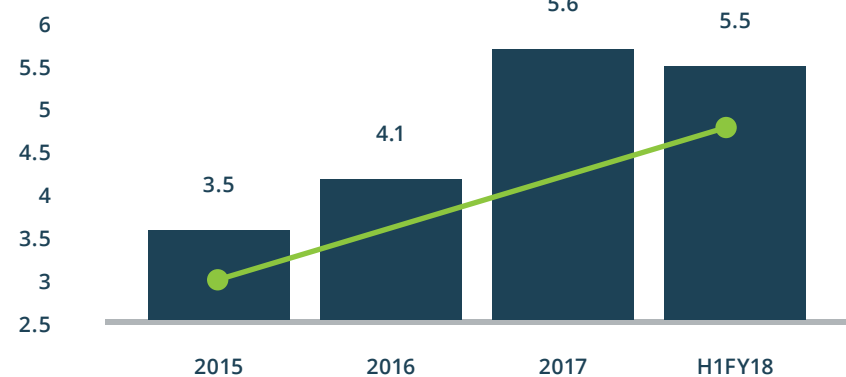
³ LVR calculated as total drawn debt facilities divided by total property assets as at 20 February 2018.

GDF – RECENT PERFORMANCE

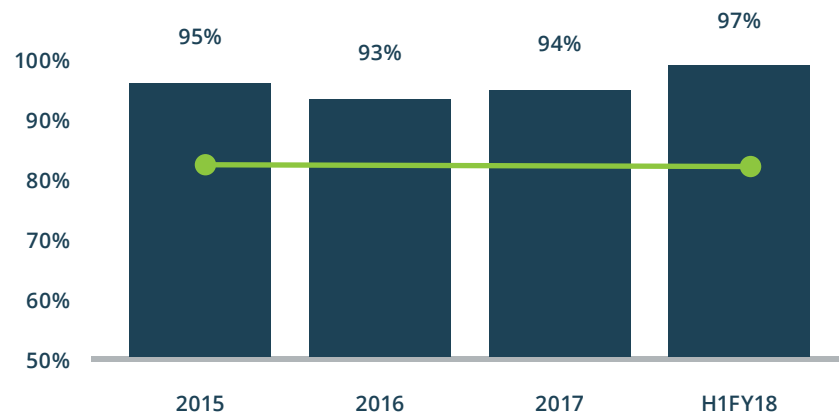
Net Tangible Assets (\$ per unit)



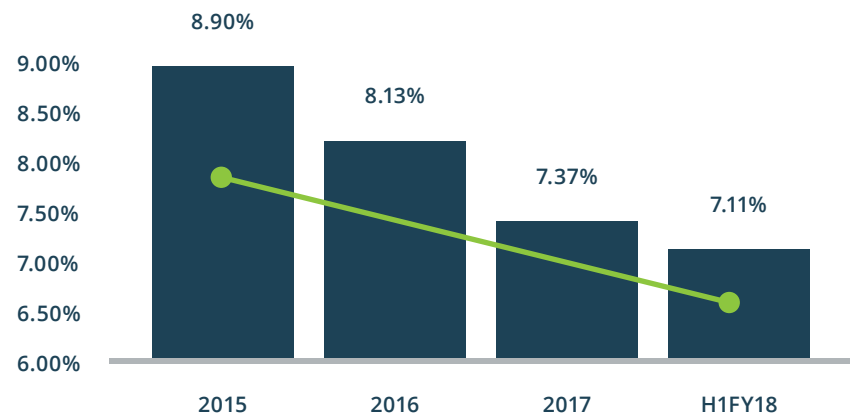
WALE (years)



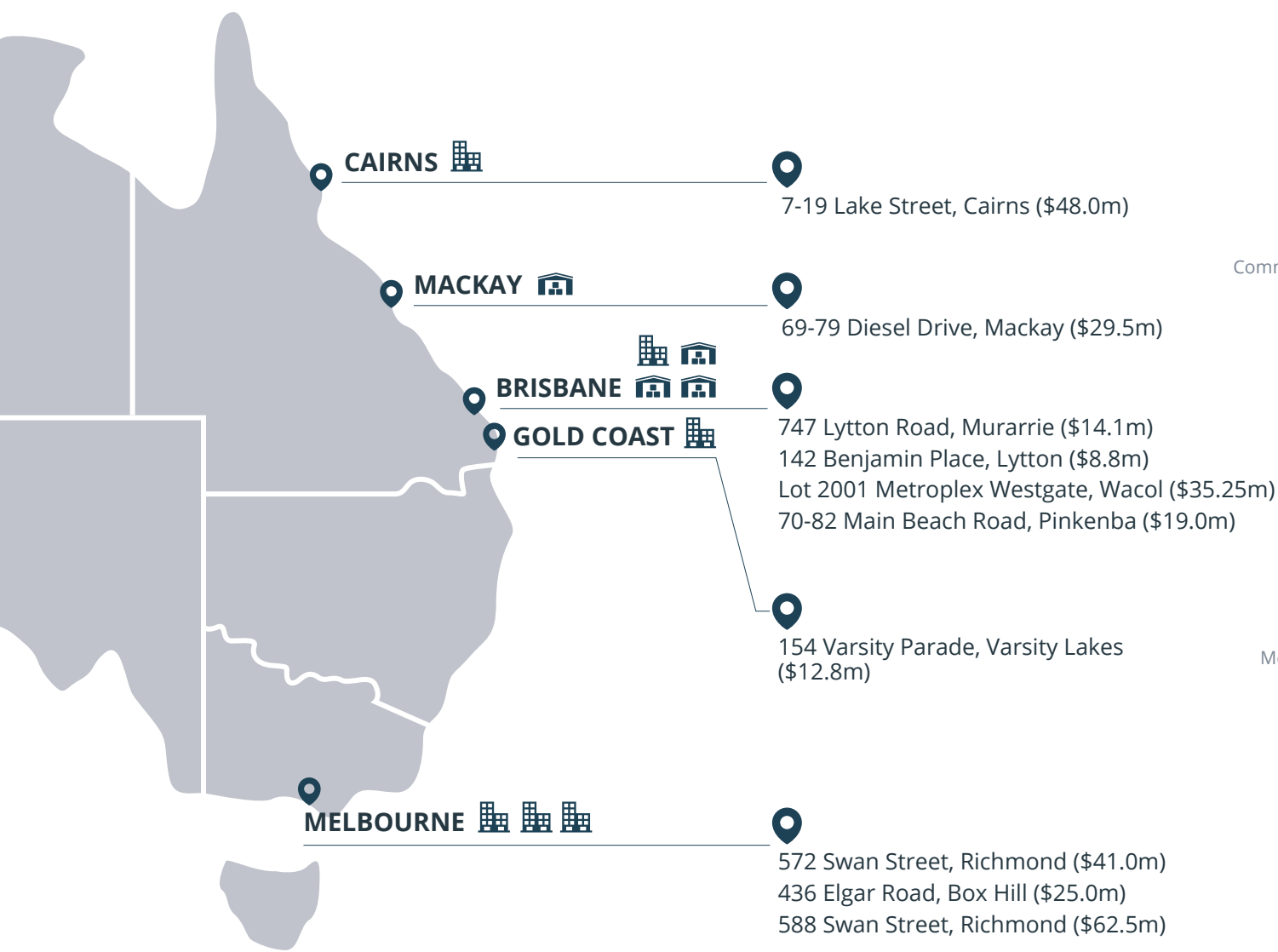
Occupancy (%)



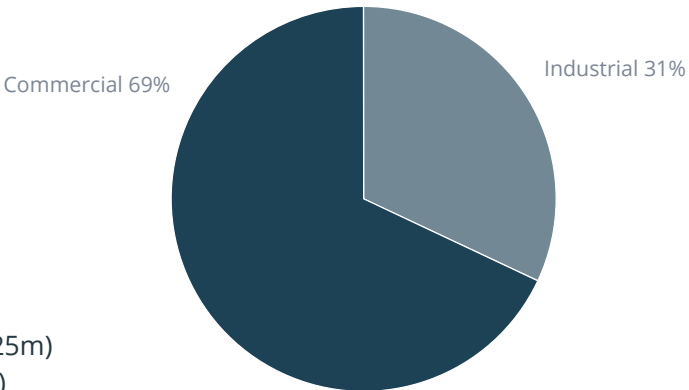
Cap Rate (%)



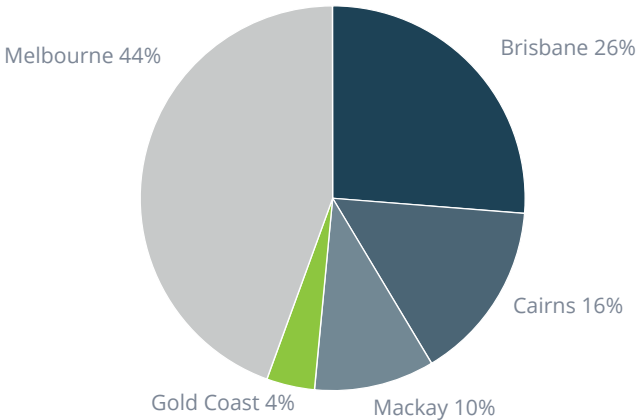
\$295M PORTFOLIO UPON COMPLETION



PORTFOLIO VALUE (by sector)



PORTFOLIO VALUE (by location)



A dark, semi-transparent background image of a modern office interior. The top half shows a large atrium with a high ceiling, exposed ductwork, and several pendant lights. The bottom half shows a lower level with people standing and working at tables. The image is split diagonally from the top-left to the bottom-right.

REAL ESTATE DEBT INVESTMENT

REAL ESTATE DEBT INVESTMENT



BRISBANE LOAN - DEPLOYED

- In January 2017 the Group advanced a senior debt facility secured against a small land subdivision in north-west Brisbane.
- The facility advance totalled \$1.2 million.
- Capitalised interest and fees of \$0.45 million have been generated to 31 December 2017.
- The borrower is awaiting plan sealing by the local authority to enable titles to issue.

OTHER

- GARDA is currently considering other junior debt opportunities for deployment in H2FY2018.



Nature	Size	Loan to Value Ratios	Interest - Nature	Interest
Senior Debt	\$1.67 Million	55%	Capitalising	20% - 25%

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GARDA CAPITAL GROUP

HALF YEAR RESULTS PRESENTATION | 23 February 2018