

## ASX Announcement / Media Release

### GARDA Capital Group (GCM)

30 May 2018

## Earnings Guidance FY18

GARDA Capital Group (**GARDA** or **Group**) is pleased to provide the following company guidance and update for the financial year ending 30 June 2018 (**FY18**).

- **AUM increases 43.5% from \$188m to \$270m with further 13% growth embedded into FY19**
- **317% increase in underlying *operating activity* earnings before tax to \$1.6m (FY17: \$0.4m)**
- **39% increase in underlying *operating activity* earnings after tax of \$1.2m (FY17: \$0.9m)**

### FY18 GUIDANCE<sup>1</sup>

The information and guidance summary table below is based on forecasts to 30 June 2018.

Operating Activities	Actual		Guidance
	FY17 \$000's	HY18 \$000's	FY18 \$000's
Underlying operating activity earnings* before tax	390	784	1,629
Income tax benefit / (expense)	476	(213)	(425)
<b>Underlying operating activity earnings after tax</b>	<b>866</b>	<b>571</b>	<b>1,204</b>
<b>Investment Activities</b>			
Net distributions and interest revenue	1,072	599	1,197
Fair value movement**	950	911	817
Income tax benefit / (expense)***	(37)	(50)	(80)
<b>Underlying investment activity earnings after tax</b>	<b>1,986</b>	<b>1,460</b>	<b>1,935</b>
<b>Underlying operating profit after tax</b>	<b>2,852</b>	<b>2,031</b>	<b>3,139</b>
<b>Statutory Profit Reconciliation</b>			
<b>Underlying operating profit after tax</b>	<b>2,852</b>	<b>2,031</b>	<b>3,139</b>
Non-cash expenses	(342)	(57)	(146)
<b>Statutory profit after tax</b>	<b>2,509</b>	<b>1,974</b>	<b>2,993</b>

\*Underlying operating activity earnings exclude non-cash adjustments such as depreciation and amortisation.

\*\* Fair value movement relates primarily to market movements of GARDA's 18.7 million unit holding in ASX: GDF. Fair value gains / losses reflect a closing price for GDF of \$1.18 at HY18 (NTA \$1.19). GDF closed at \$1.175 on 29 May 2018 and this figure has been used for guidance purposes. GDF holds a range of real property assets and trading in its units has historically demonstrated a relatively low level of volatility. However, investors should be aware that movements in GDF's trading price may materially impact GCM's financial performance in any period. GCM considers that the market is aware of any movements in GDF's trading price and does not intend to update its earnings guidance solely in connection with them.

\*\*\*Investing activities income tax relates to company tax on interest received by GARDA Capital Limited. Interest or distributions received by GARDA Capital Trust are not taxed at Group level but taxed in the hands of securityholders.

<sup>1</sup> Guidance is based on unaudited management forecasts and is subject to change.

## GROUP STRUCTURE

GARDA is a stapled entity comprising GARDA Capital Limited and GARDA Capital Trust. GARDA has 24.03 million securities on issue, in addition to a further 1.2 million securities issued under employee security plan which are subject to certain vesting conditions over the next three years.

The Group considers security holder value to be a combination of:

- the value of its operating activities  
(Based on *underlying operating activity earnings after tax*), and
- the net assets of the Group.  
(Representing the Group's Investment Activities and Capital)

Summarised Statement of Financial Position	Full Year 30 Jun 17 \$000's	Half Year 31 Dec 17 \$000's
<b>Assets</b>		
Cash and cash equivalents	5,947	5,731
Trade and other receivables	1,942	2,791
Financial assets	11,205	22,067
Investment properties	1,201	1,250
Deferred tax asset	343	80
Intangible asset	415	374
Other assets	70	64
<b>Total Assets</b>	<b>21,123</b>	<b>32,357</b>
<b>Liabilities</b>		
Trade and other payables	797	632
Borrowings	2,070	11,970
Other liabilities	33	38
<b>Total Liabilities</b>	<b>2,900</b>	<b>12,640</b>
<b>Net Assets</b>	<b>18,223</b>	<b>19,717</b>

## OPERATING ACTIVITIES

The Group's operating activities generate revenues from funds management and debt advisory functions.

GARDA is the responsible entity and manager (and holds a 13.5% stake) of the GARDA Diversified Property Fund (**ASX: GDF**).

Funds management revenues are primarily derived from fees based on assets under management (AUM).

Additionally funds management revenues are generated from capital expenditure fees, property and facilities management and other real estate agency functions such as leasing.

### **Assets under management**

2018 AUM					
January	February	March	April	May	June
<b>\$213m</b>	<b>\$215m</b>	<b>\$218m</b>	<b>\$230m</b>	<b>\$267m</b>	<b>\$270m</b>

AUM has primarily increased in H2FY18 as a result of the settlement by GDF of two acquisitions, one in April 2018 (Heathwood) and the other in May 2018 (Wacol) and the ongoing investment into the construction of the Botanicca 9 project. The average AUM for FY18 is anticipated to be \$218 million.

Upon completion of the Botanicca 9 project, anticipated in H2FY19, AUM is expected to reach **\$305 million**, prior to any capital transactions or property revaluations.

## Capital expenditure revenue

GARDA receives capital expenditure fees of 5% of capital works by GDF. GDF has two primary capital expenditure activities:

- capital reinvestment into existing assets (ongoing/recurring focus); and
- new building works such as the current Botanicca 9 commercial office project.

GDF Capital Expenditure	FY17	HY18	FY18	FY19
	\$000's	\$000's	\$000's	\$000's
Reinvestment	6,284	2,212	4,762	6,000
Botanicca 9	-	2,250	7,860	28,900
<b>Total</b>	<b>6,284</b>	<b>4,462</b>	<b>12,622</b>	<b>34,900</b>
<b>GARDA Fee Revenue</b>	<b>314</b>	<b>223</b>	<b>631</b>	<b>1,745</b>

GARDA anticipates generating **underlying operating activity earnings of \$1.2 million** after tax for FY18.

Earnings in FY19 will be positively impacted by both the increase in AUM and the increase in capital expenditure fee revenue.

## INVESTMENT ACTIVITIES

GARDA invests in real estate via both equity and debt positions.

### Equity

GARDA's primary equity investment is its 18.7 million units in GDF, representing 13.5% of GDF.

The Directors measure performance having regard to the distributions received, and the fair value movement (increase or decrease in asset values) of its investment in GDF, over each financial period.

### Debt

GARDA also invests in property through debt positions. In March 2018 a \$1.2 million senior debt advance made in January 2017 was repaid by the borrower. GARDA received \$1.9 million in proceeds.

Debt investment generates both fees (accounted for in the operating revenues of the Group) and interest (accounted for in the investing revenues of the Group). Both of these are assessed for when considering a debt investment.

GARDA is not currently invested in any debt positions. GARDA has \$8 million in cash and is actively pursuing real estate debt investments.

### Measuring performance of Investment activity

The Directors measure performance of the Group's investment activities by reference to the **underlying earnings of investment activities after tax** being the addition of net interest and distributions received, and fair value movement, over net assets at the beginning of the period.

Fair value movement relates primarily to GARDA's 18.7 million units in GDF.

Investment activity is forecast to provide net interest and distributions of \$1.1 million after tax.

Fair value movements of \$0.9 million were recognised at 31 December 2017. GDF's closing price at HY18 was \$1.18 compared to a \$1.175 closing price on 29 May 2018 (NTA \$1.19).

Accordingly the FY18 ***underlying investment activity earnings after tax***, (adopting the 29 May 2018 ASX closing price) **is forecast to be \$1.9 million or 11% return** for the year, on 30 June 2017 net assets of \$18.2 million.

### **GROUP RETURN ON EQUITY**

The Directors measure the Group's total return on equity, as the sum of the ***underlying operating activities earnings after tax*** and the ***underlying investing activities earnings after tax***, over the Group's equity at the beginning of the financial period.

Accordingly, noting the fair value assumption above for the GDF closing price (i.e. the last close on 29 May 2018), a total return for FY18 is anticipated at **\$3.1 million or 17%** on 30 June 2017 net assets of \$18.2 million.

### **GROUP EXECUTIVE CHAIRMAN COMMENT**

GARDA's Executive Chairman and Managing Director, Matthew Madsen said:

"FY18 has been an important year for the Group. AUM will increase by approximately 43.5% over the period with a further 13% AUM growth in FY19 from the completion of the Botanicca 9 project alone.

We have been able to demonstrate strong returns on capital within an appropriate commercial risk tolerance.

Moreover the FY19 results are expected to be positively impacted by the growth in AUM to **\$305 million** compared to the average AUM of FY18 of \$218 million and also, the particularly strong contribution from capital expenditure fee revenue.

We have a strong balance sheet, currently holding \$8 million in cash. We are actively pursuing new real estate debt investments and considering further acquisitions for GDF."

**-Ends-**

### **Disclaimer**

*The FY18 guidance in this release includes short-term estimates and forward-looking statements, which are subject to the completion of external audit review, and fair value assessment of assets including and ASX closing price of GDF units and general property-related activity within GDF to the end of the financial year. No independent third party has reviewed or verified the reasonableness of any statements or assumptions. There is no warranty provided by the GARDA Capital Group that guidance will be achieved, and this earnings guidance assumes that there is no material movements of key assumptions before the end of the reporting period. Actual results for FY18 may vary, and investors and potential investors should take their own advice.*

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**About GARDA Capital Group**

GARDA Capital Group (GCM) is an ASX-listed (ASX: GCM) real estate investment and funds management group. GARDA Capital Group is a stapled structure comprising GARDA Capital Limited and GARDA Capital Trust.

GARDA Capital Limited (AFSL 246714) is the parent entity of the GARDA Capital Group and is also the responsible entity of the ASX-listed property fund, GARDA Diversified Property Fund (ASX: GDF).

GARDA Capital Trust is a registered managed investment scheme which is the primary investment vehicle for the GARDA Capital Group.

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