



GARDA CAPITAL GROUP

(ASX CODE: GCM)

FULL YEAR RESULTS PRESENTATION

23 AUGUST 2018

OVERVIEW

- GARDA Capital Group operates and invests in real estate.
- GARDA Capital Group (ASX: GCM) is a stapled security comprising GARDA Capital Limited and GARDA Capital Trust.
- GARDA Capital Limited is fund manager for GARDA Diversified Property Fund (ASX: GDF) and GCM is also a substantial owner with a 13.5% investment in GDF.
- GARDA considers the performance and value of each of these two activities separately:

Performance

- Operating activities – fee revenue generated from the Group's various activities.
- Investing activities – returns on capital deployed, e.g. distributions, interest, value changes.

Value

- Operating – underlying profit after-tax at a multiple.
- Investing – Group net assets.
- Statutory reporting presents the Group's results as a whole and recognises value changes (mark-to-market changes) through revenue.

FY18 HIGHLIGHTS

AUM AND FEE GROWTH



- 51% increase in assets under management (AUM) from \$188 million (Jun-17) to \$284 million (Jun-18).
- Average AUM increased 19% from \$184 million in FY17 to \$219 million in FY18.
- Increased capital expenditure fee revenue as a result of the Botanicca 9 office project.

EARNINGS



- Group NPAT of \$2.8 million (operating and investing activities), an 11% increase on prior year (FY17 \$2.5 million).
- 310% increase in underlying operating activity earnings before tax of \$1.6 million (FY17 \$0.4 million).
- 36% increase in underlying operating activity earnings after tax of \$1.2 million (FY17 \$0.9 million).

BALANCE SHEET



- \$21.8 million investment in GDF at June 2018 closing price of \$1.165 per unit (\$24.1m at NTA per unit of \$1.29).
- GCM increased its investment in GDF to 13.5% following participation in the December 2017 entitlement offer.
- The increased investment in GDF was funded by a new \$10 million 3 year term syndicate loan at a cost of 7% p.a.
- The Group has approximately \$8.5 million in cash.

DISTRIBUTIONS



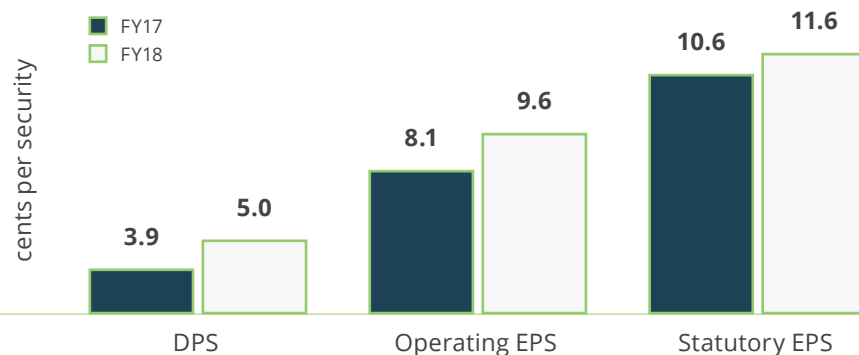
- Total security holder payments of 5.0 cents for FY18, a 28% increase on FY17, made up of:
 1. fully franked dividend of 1.128 cents per security; and
 2. 97% tax-advantaged trust distributions of 3.872 cents per security.

EARNINGS GROWTH AND RETURNS

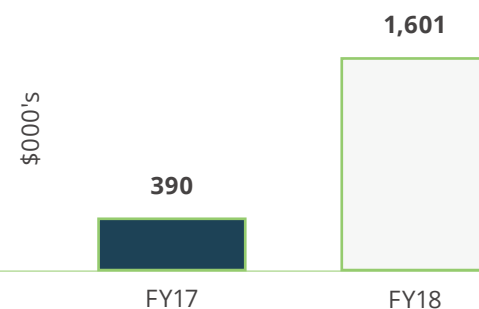
Operating Activities	Actual	
	FY17 \$000's	FY18 \$000's
Underlying operating activity earnings before tax	390	1,601
Income tax benefit / (expense)	476	(422)
Underlying operating activity earnings after tax	866	1,179
Investment		
Net distributions and interest revenue	1,072	1,197
Fair value movement	950	630
Income tax benefit / (expense)	(37)	(80)
Underlying investment activity earnings after tax	1,986	1,747
Underlying operating profit after tax	2,852	2,926
Statutory Profit Reconciliation		
Underlying operating profit after tax	2,852	2,926
Non-cash expenses	(342)	(139)
Statutory profit after tax	2,509	2,787

- 310% increase in underlying operating activity earnings before tax of \$1.6 million (FY17 \$0.4 million).
- 36% increase in underlying operating activity earnings after tax of \$1.2 million (FY17 \$0.9 million).
- 11% increase in Group NPAT to \$2.8 million (FY17 \$2.5 million).
- Total security holder payments of 5.0 cents for FY18 representing a 28% increase on FY17 distributions, made up of:
 - fully franked dividend of 1.128 cents and
 - 3.872 cents distributions (97% tax advantaged).

EARNINGS AND RETURNS PER SECURITY



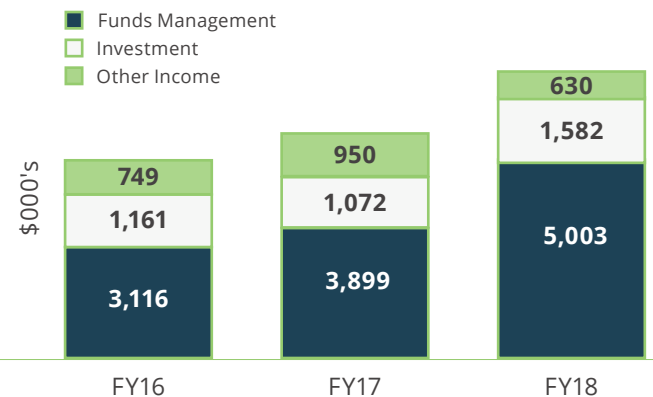
UNDERLYING OPERATING ACTIVITY EARNINGS BEFORE TAX



STATUTORY REVENUE AND PROFIT

Summarised Statement of Profit and Loss	FY17	FY18
Revenue	4,971	6,585
Other Income	950	630
Total Revenue	5,921	7,215
Segment Revenue		
Funds Management	3,899	5,003
Investment	1,072	1,582
Total Revenue	4,971	6,585
Operating Expenses	(3,214)	(3,240)
Operating EBIT	1,757	3,345
Interest Expense	(295)	(546)
Operating Profit Before Tax	1,462	2,799
Income Tax Benefit/(Expense)	439	(502)
Operating Profit After Tax	1,901	2,297
Specific Non Cash and MTM Income	950	630
Specific Non Cash and MTM Expenses	(342)	(140)
Net Movement	608	490
Statutory Profit After Tax	2,509	2,787

REVENUE GROWTH



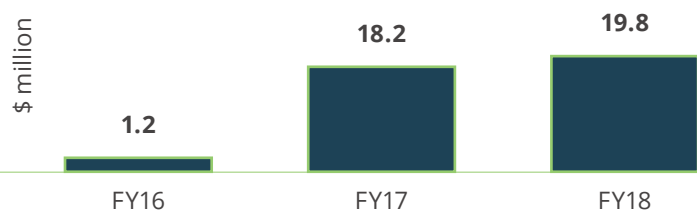
- 22% increase in total revenue and other income.
- 32% increase in revenue comprised of:
 - 28% increase in funds management revenue, which included an increase in both recurring and transactional revenue streams; and
 - 48% increase in Investment revenue, as a result of an increase in the Group's investment in GDF during the period.
- Operating expenses are in line with previous year.
- Continued fair value gains on GDF investment.

BALANCE SHEET

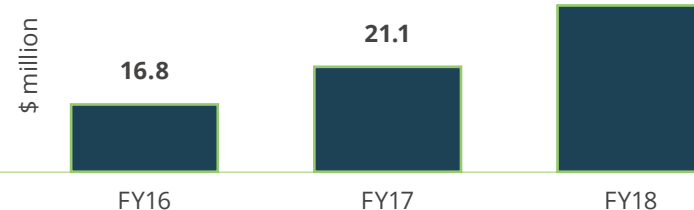
Summarised Statement of Financial Position	Full Year 30 June 17 \$000's	Full Year 30 June 18 \$000's
Assets		
Cash and Cash Equivalents	5,947	8,547
Trade and Other Receivables	1,942	1,133
Financial Assets	11,205	21,786
Investment Properties	1,201	1,250
Deferred Tax Asset	343	-
Intangible Asset	415	326
Other Assets	70	84
Total Assets	21,123	33,126
Liabilities		
Trade and Other Payables	797	1,153
Borrowings	2,070	11,970
Financial Liabilities Held at Fair Value Through Profit	-	-
Current Tax Liability	-	102
Deferred Tax Liability	-	57
Other Liabilities	33	42
Total Liabilities	2,900	13,324
Net Assets	18,223	19,802

- The Group's major balance sheet item is its unitholding in GDF.
- This investment (financial assets) is carried at the ASX closing price of \$1.165 per unit, compared to an underlying GDF NTA of \$1.29 per unit, a \$2.3 million difference.
- Net Assets for the year increased \$1.6 million (8.8%) from \$18.2 million to \$19.8 million.
- Total assets increased by \$12.0 million or 57% to \$33.1 million.
- Borrowings increased by \$10.0 million.
- Other Group debt is the capital adequacy loan of \$1.97 million which is subject to an ASIC deed of subordination.
- The Group has over \$8.5 million in cash.

GCM NET ASSETS



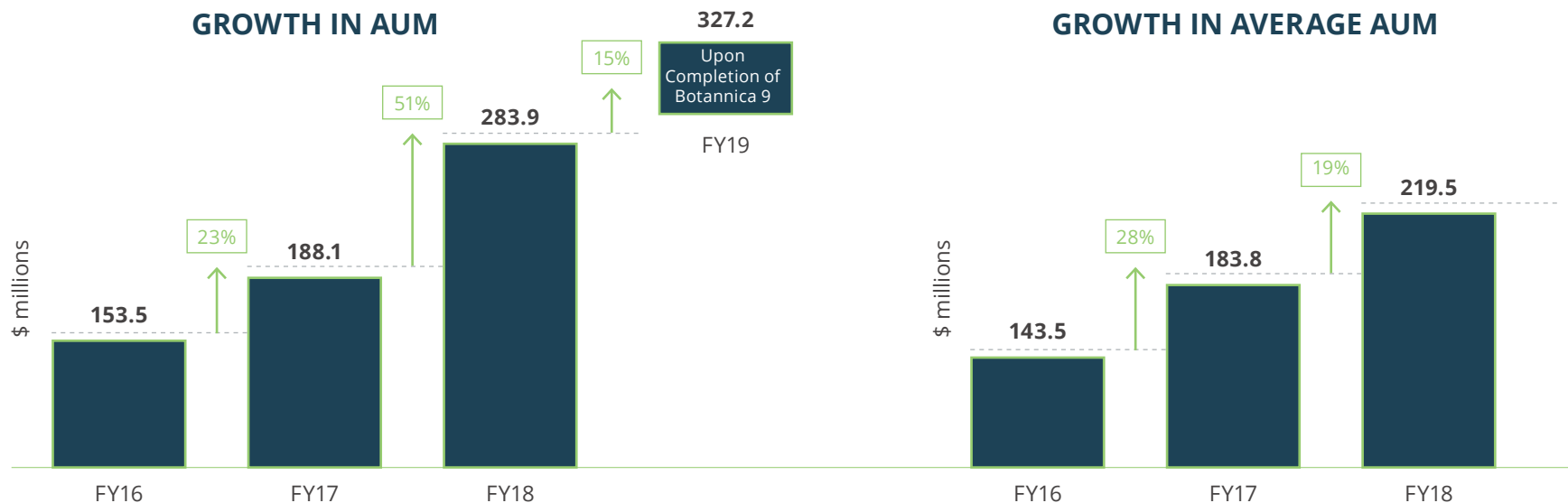
GCM TOTAL ASSETS



OPERATING ACTIVITIES

- The Group's operating activities generate revenues from funds management.
- GARDA is the responsible entity and fund manager (and holds a 13.5% investment) of GARDA Diversified Property Fund (**ASX: GDF**).
- Funds management revenues are primarily derived from fees based on assets under management (AUM).
- Revenue for the year is driven from the average AUM, so a key metric is the starting AUM in FY19 compared to the average AUM for FY18.
- Additionally funds management revenues include capital expenditure fees, property and facilities management and other real estate agency functions such as leasing and debt activities.

GROWTH IN AUM

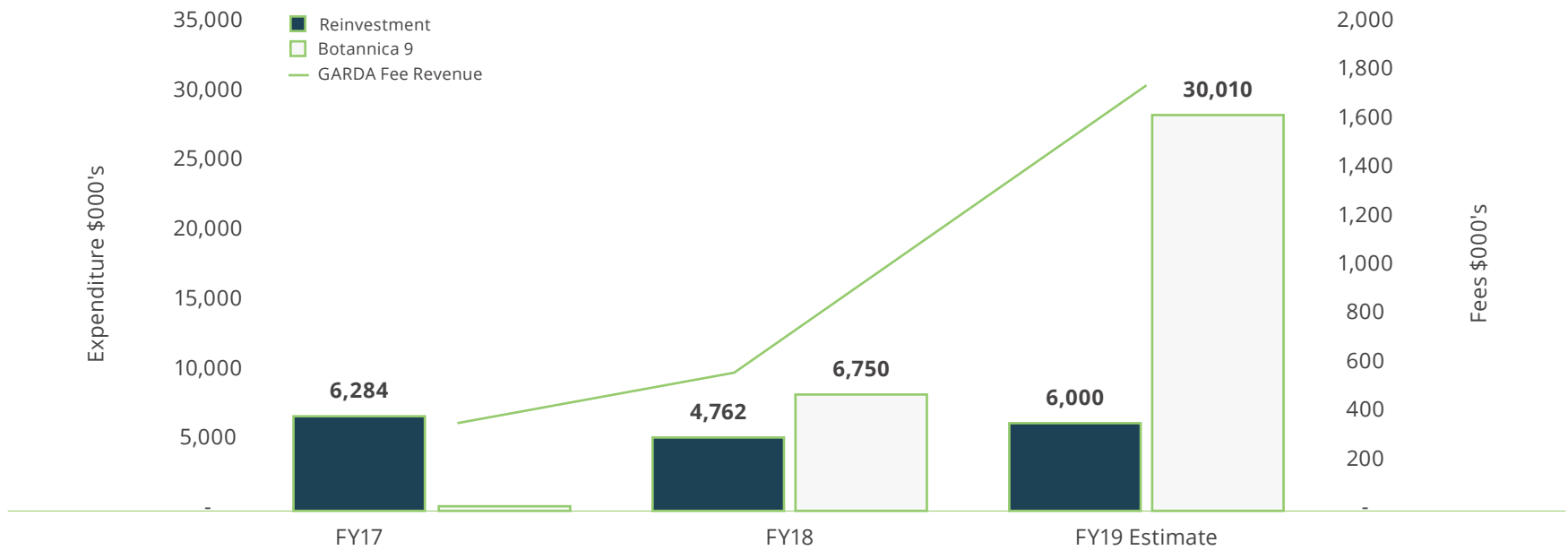


- Average AUM in any year more accurately reflects the basis upon which funds management revenue has been derived for that year.
- AUM reported at year end provides the starting basis for funds management revenue for the future period.
- GARDA has demonstrated sustained growth in AUM with FY19 commencing AUM of \$284 million being a ~30% increase on average AUM of FY18.
- In addition GARDA has embedded AUM growth to \$327 million of AUM from the Botannica 9 office project alone.

CAPITAL EXPENDITURE FEE REVENUE

- A key contributor to fee revenue is the GDF capital expenditure fee.
- 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 Botannica 9 office project.

GDF CAPITAL EXPENDITURE



INVESTMENT ACTIVITIES

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

EQUITY

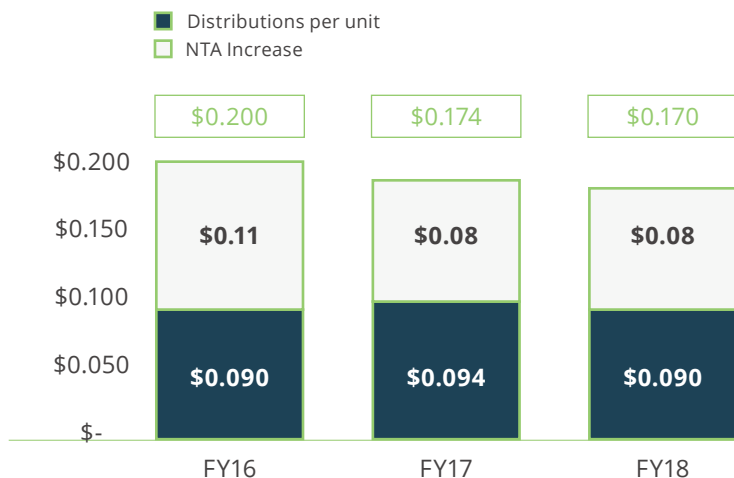
- GCM's primary equity investment is its 18.7 million units in GDF, representing 13.5% of GDF.
- The Directors measure performance having regard to the distributions received, and the fair value movement (increase or decrease in asset values) of its investment in GDF, over each financial period.

DEBT

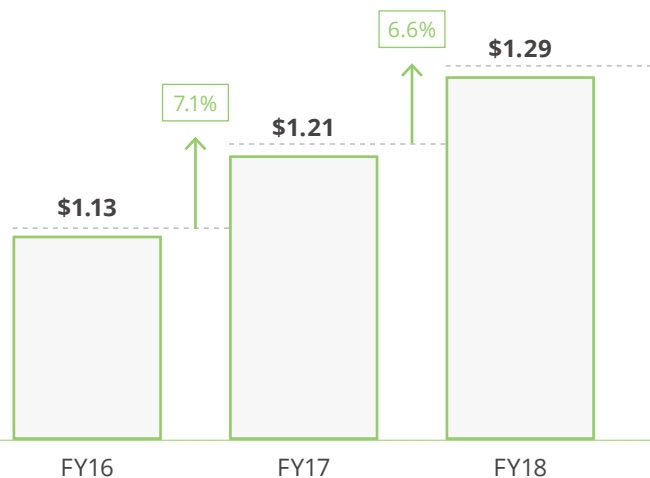
- GARDA invests in property through debt positions. In March 2018 a \$1.2 million senior debt advance made in January 2017 was repaid by the borrower. GARDA received \$1.9 million in proceeds.
- Debt investment generates both fees (accounted for in the operating revenues of the Group) and interest (accounted 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 \$8.5 million in cash and is actively considering various real estate debt investments.

CO-INVESTMENT IN GDF

GDF DISTRIBUTIONS AND NTA UPLIFT PER UNIT



GDF NTA PER UNIT



- GCM's investment in GDF totals \$21.8 million at June 2018 ASX closing price of \$1.165 per unit.
- GCM's investment in GDF calculated on GDF NTA of \$1.29 per unit is \$24.1 million, an increase of \$2.3 million.
- GDF current price of \$1.26¹ represents a 2.3% discount to NTA.
- GCM has enjoyed GDF's strong year on year distribution returns and continued NTA per unit uplifts.

1. ASX price as at 21 August 2018.

MEASURING PERFORMANCE OF INVESTMENT ACTIVITY

- Performance of the Group's investment activities is measured 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 the Group's 18.7 million units in GDF.
- Investment activity generated net interest and distributions of \$1.1 million after tax.
- Fair value movements of \$0.6 million were recognised at 30 June 2017. GDF's closing price at FY18 was \$1.165.
- FY18 ***underlying investment activity earnings after tax***, (adopting the 30 June 2018 ASX closing price) **was \$1.7 million or 9.6% return** for the year, on 30 June 2017 net assets of \$18.2 million.
- This improves to \$4.0 million, or 22.0%, if GDF's NTA per unit price is recognised rather than GDF's ASX closing price for fair value movements.

GROUP RETURN ON EQUITY

- Total return on security holders equity is measured 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.
- A total return for FY18 of **\$2.9 million or 16.1%** was achieved on 30 June 2017 net assets of \$18.2 million.
- This improves to \$5.2 million, or 28.6%, if GDF's NTA per unit price is recognised rather than GDF's ASX closing price for fair value movements.

HOW GARDA MEASURES VALUE

Operating Activities Earnings	FY18 (000's)
Non Investment Operating Revenue	
Funds Management Revenue	5,003
Operating Expenses	(3,240)
EBIT	1,763
Interest Expense (Non-Investment Debt)	(161)
Income Tax Benefit (Expense)	(423)
Net Operational Earnings	1,179
Multiple and Enterprise Value	
FY2018 Earnings Multiple	? Times
EV of Operating Activities, i.e. Company	\$
Value Per Security	
Group Net Asset Value at 30 June 2018	19,802
Total Value (EV + NAV) (\$000's)	\$
No of Securities (000's)	25,230
Value Per Securities (\$)	\$

- GARDA is a stapled entity comprising shares in GARDA Capital Limited and units in GARDA Capital Trust.
- GARDA has 24.03 million securities on issue, in addition to a further 1.2 million securities issued under an 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)

BUSINESS MODEL

HOW GCM INVESTS AND OPERATES

OPERATING EARNINGS

- Funds management fees of 65bps of AUM of GDF up to \$0.75bn, and 60bps above \$0.75bn.
- Property management fees payable calculated on property gross revenue.
- Capital expenditure fee equal to 5% of deployed capital.
- GCM may receive the following fees from GDF:
 - 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 \$284 million of AUM at June 2018 up from \$188 million at June 2017.
- AUM will increase to ~ \$327m over next 12 months on current projects alone.
- Every \$100m increase in AUM, generates approximately a \$1.0m increase in recurring revenue.

INVESTMENT RETURNS

- GCM holds 13.5% or 18.7 million units in GARDA Diversified Property Fund – NTA of \$24.1 million.
- This receives a 9cpu p.a. income return, or 6.98% on GDF NTA per unit.
- Capital returns reflect the movement in the GDF unit value.
- GCM may hold property directly.
- GCM also invests in property through debt positions, including senior and junior debt.

OUTLOOK

- GCM started FY19 with \$284 million of AUM, compared to the FY18 average AUM of \$219 million.
- AUM to increase to \$327 million upon completion of the Botanicca 9 project, anticipated for H2FY19, prior to any further capital transactions.
- GDF continues to seek net AUM growth of approximately \$100 million per annum.
- Capital expenditure fee revenue materially benefits from an estimated FY19 spend of \$36.0 million compared to \$12.6 million in FY18.
- GCM will focus on the procurement of third party capital to participate in debt opportunities with the Group as fund manager and co-investing its allocated capital.
- The Group has a strong balance sheet with over \$8.5 million in cash.
- Distributions to securityholders will continue to reflect a pass through of income received by the Group from its investment in GDF (through GARDA Capital Trust – investment trust).
- An FY19 corporate dividend will be considered at financial year end.

The background of the slide is decorated with abstract geometric line art. On the left and bottom, there are large, complex, overlapping wireframe structures that resemble crystalline or architectural forms. On the right side, there is a smaller, more compact geometric shape. The lines are thin and grey, creating a modern, minimalist aesthetic.

GARDA DIVERSIFIED PROPERTY FUND

REAL ESTATE INVESTMENT

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

18.7m UNITS
\$24m at NTA¹

\$0.09 per unit
FORECAST FY2019 GDF
DISTRIBUTIONS

63.6%
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 7.14% 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.

GDF AT A GLANCE

\$327 MILLION¹ ~ **\$180 MILLION**

COMMERCIAL AND INDUSTRIAL PORTFOLIO MARKET CAPITALISATION

95%
OCCUPANCY²

5.9 YEARS
WALE²

3.2%
WEIGHTED AVERAGE
RENT REVIEWS

\$0.09/unit
FY2019 Distribution FORECAST

37.5%
LVR³

\$1.29
NTA Per Unit

6.78%
WEIGHTED AVERAGE
CAP RATE⁴

ALIGNED MANAGER
GARDA Capital
holds 13.5% of GDF units

1. Based on the 'upon completion' value of Botannica 9.

2. WALE and occupancy as at 1 July 2018.

3. LVR calculated as total drawn debt facilities divided by total property assets as at 21 August 2018.

4. Weighted average capitalisation rate includes the upon completion value and cap rate for Botannica 9, 588 Swan Street, Richmond.

DIVERSIFIED PORTFOLIO

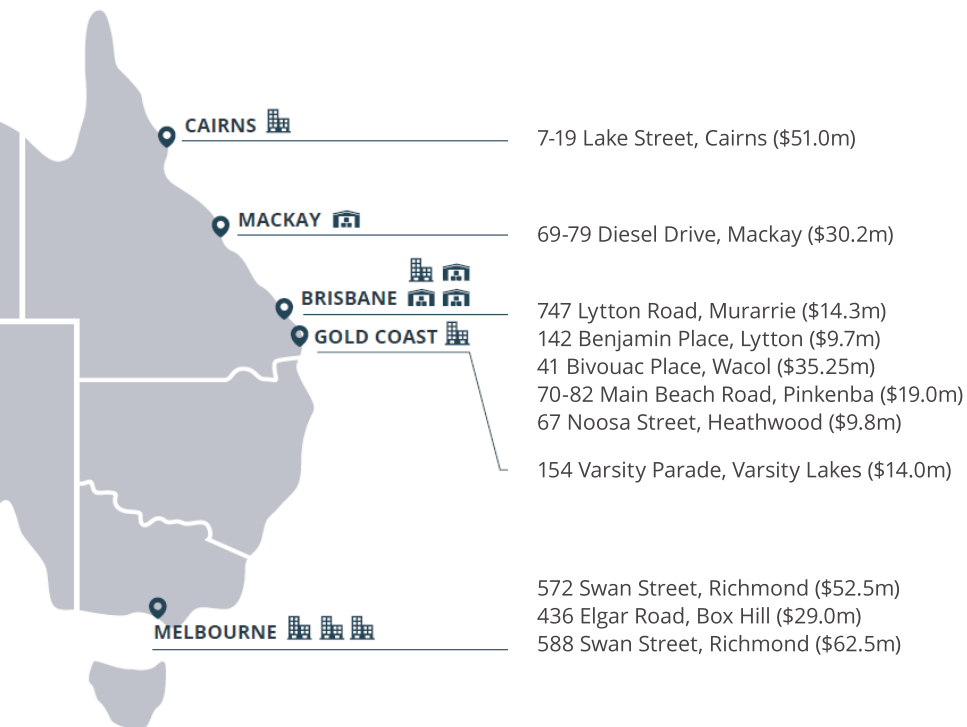
PORTFOLIO VALUE (BY SECTOR)



PORTFOLIO VALUE (BY LOCATION)



■ Melbourne ■ Brisbane ■ Cairns ■ Mackay ■ Gold Coast



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