



GARDA CAPITAL GROUP
(ASX CODE: GCM)

HALF YEAR RESULTS PRESENTATION

20 FEBRUARY 2019

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 13.8% 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.

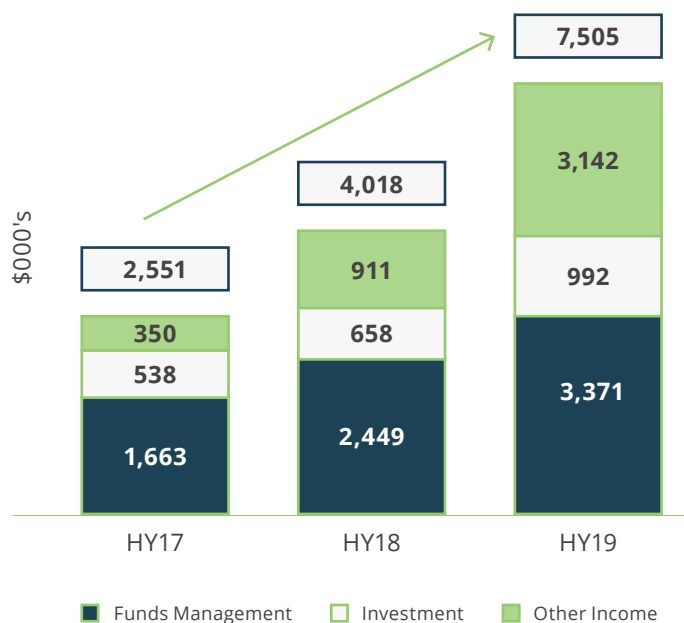
FIRST HALF FY19 HIGHLIGHTS

FEE GROWTH AND RETURNS

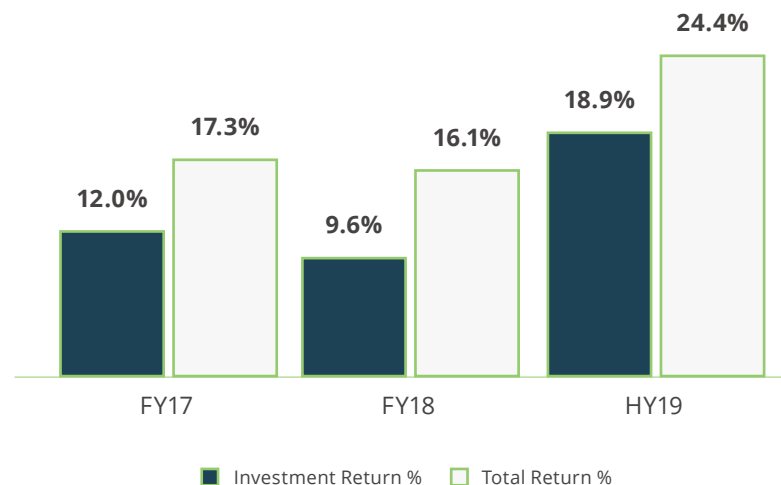


- Total revenue and other income of \$7.5 million which is an increase of \$3.5 million or 87.5% (\$4.0 million pc).p).
- 8% increase in assets under management (AUM) from \$284 million (Jun-18) to \$307 million (Dec-18).
- Embedded growth through existing projects sees AUM increase to approximately \$330 million by 30 June 2019.
- Increased capital expenditure fee revenue as a result of the Botanicca 9 office project, expected to complete in May 2019.
- Recent industrial site acquisitions at Berrinba and Progress Road, Wacol demonstrate the continuity of the capital expenditure fees through FY20 and beyond.

REVENUE GROWTH



RETURN ON TOTAL EQUITY



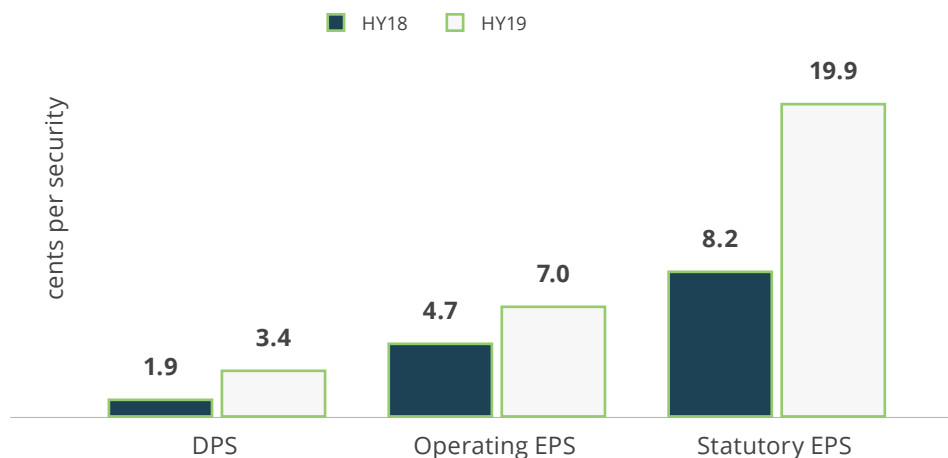
FIRST HALF FY19 HIGHLIGHTS

EARNINGS AND RETURNS

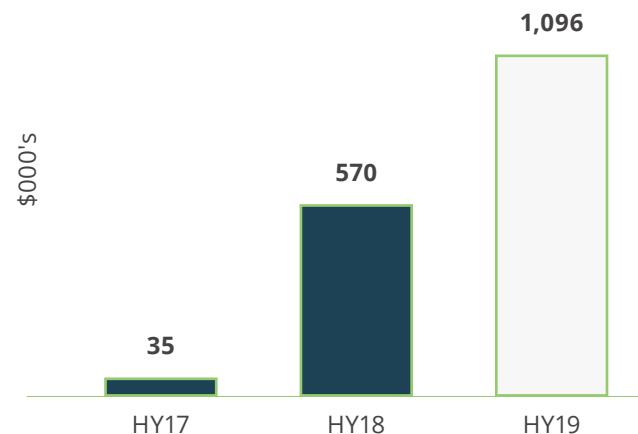


- ▶ Group NPAT of \$4.8 million (operating and investing activities), representing a 142% increase on prior period (HY18 \$2.0 million).
- ▶ 92% increase in underlying operating activity earnings after tax of \$1.1 million (HY18 \$0.6 million).
- ▶ HY19 underlying investment activity earnings after tax, (adopting the 31 December 2018 ASX closing price) was \$3.7 million or 18.9% return for the half-year, on 30 June 2018 net assets of \$19.8 million.
- ▶ A total return on equity for HY19 of \$4.8 million or 24.4%¹ was achieved on 30 June 2018 net assets of \$19.8 million.

EARNINGS AND RETURNS PER SECURITY



UNDERLYING OPERATING ACTIVITY EARNINGS BEFORE TAX



1. 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.

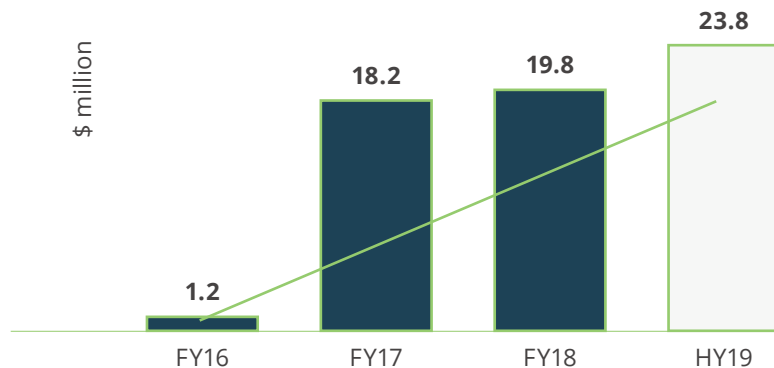
FIRST HALF FY19 HIGHLIGHTS

BALANCE SHEET

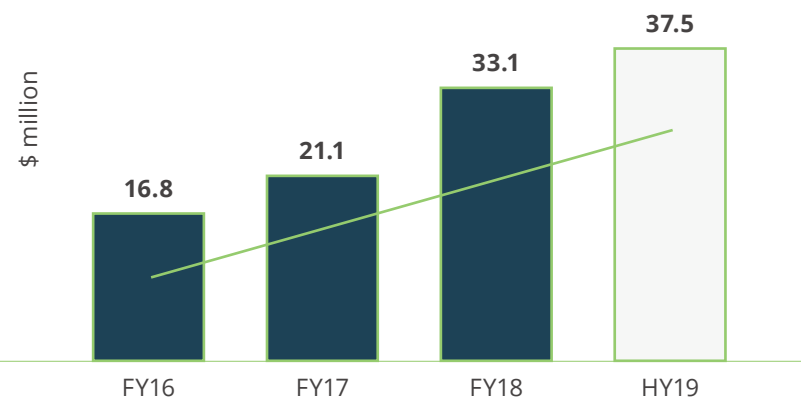


- Investment in GDF valued at \$28.9 million at December 2018 ASX closing price of \$1.32 per security.
- GCM increased its investment in GDF by \$4.0 million via participation in the GDF October 2018 placement at \$1.25, taking its stake to 13.8% of issued units.
- Continued investment in debt positions with the advancement of two new loans by the Group to third parties totalling \$2.1 million.

GCM NET ASSETS



GCM TOTAL ASSETS



FIRST HALF FY19 HIGHLIGHTS

DISTRIBUTIONS

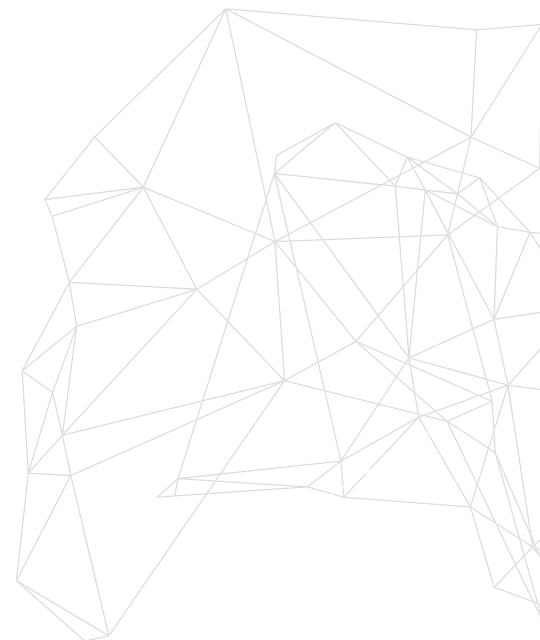


- Total securityholder payments for the half-year of 3.375 cents per security for H1FY19, an 80% increase on H1FY18, made up of:
 - Fully franked dividend of 1.125 cents per security; and
 - 100% tax advantaged trust distributions of 2.25 cents per security.
- The Group will continue to distribute on a quarterly basis the distributions it receives from GDF, expected to total 2.5 cents for H2FY19.
- The Group will also consider a full year dividend payment.

EARNINGS GROWTH AND RETURNS

Operating Activities	Actual	
	HY19 \$000's	HY18 \$000's
Underlying operating activity earnings before tax	1,510	783
Income tax expense	(414)	(213)
Underlying operating activity earnings after tax	1,096	570
Investment		
Net distributions and interest revenue	638	600
Fair value movement	3,122	911
Income tax expense	(21)	(50)
Underlying investment activity earnings after tax	3,739	1,461
Underlying operating profit after tax	4,835	2,031
Statutory Profit Reconciliation		
Underlying operating profit after tax	4,835	2,031
Non-cash expenses	(59)	(57)
Statutory profit after tax	4,776	1,974

- 92% increase in underlying operating activity earnings after tax of \$1.1 million (HY18 \$0.6 million).
- 142% increase in Group NPAT to \$4.8 million (HY18 \$2.0 million).
- Total securityholder payments of 3.375 cents per unit for HY19 representing an 80% increase on HY18 distributions, made up of:
 - Fully franked dividend of 1.125 cents and
 - 2.25 cents distributions (100% tax advantaged).



STATUTORY REVENUE AND PROFIT

Summarised Statement of Profit and Loss	HY19 \$000's	HY18 \$000's
Revenue	4,363	3,107
Other Income	3,142	911
Total Revenue	7,505	4,018
Segment Revenue		
Funds Management	3,371	2,449
Investment	992	658
Total Revenue	4,363	3,107
Operating Expenses	(1,802)	(1,608)
Operating EBIT	2,561	1,499
Interest Expense	(432)	(116)
Operating Profit Before Tax	2,129	1,383
Income Tax Expense	(436)	(263)
Operating Profit After Tax	1,693	1,120
Specific Non Cash and MTM Income	3,142	911
Specific Non Cash and MTM Expenses	(59)	(57)
Net Movement	3,083	854
Statutory Profit After Tax	4,776	1,974

- 87% increase in total revenue, including the mark-to-market of the Group's holding in GDF.
- 40% increase in revenue comprised of:
 - 38% increase in funds management revenue, which included an increase in both recurring and transactional revenue streams; and
 - 51% increase in investment revenue, as a result of an increase in the Group's investment in GDF.
- Continued fair value gains on GDF investment.

BALANCE SHEET

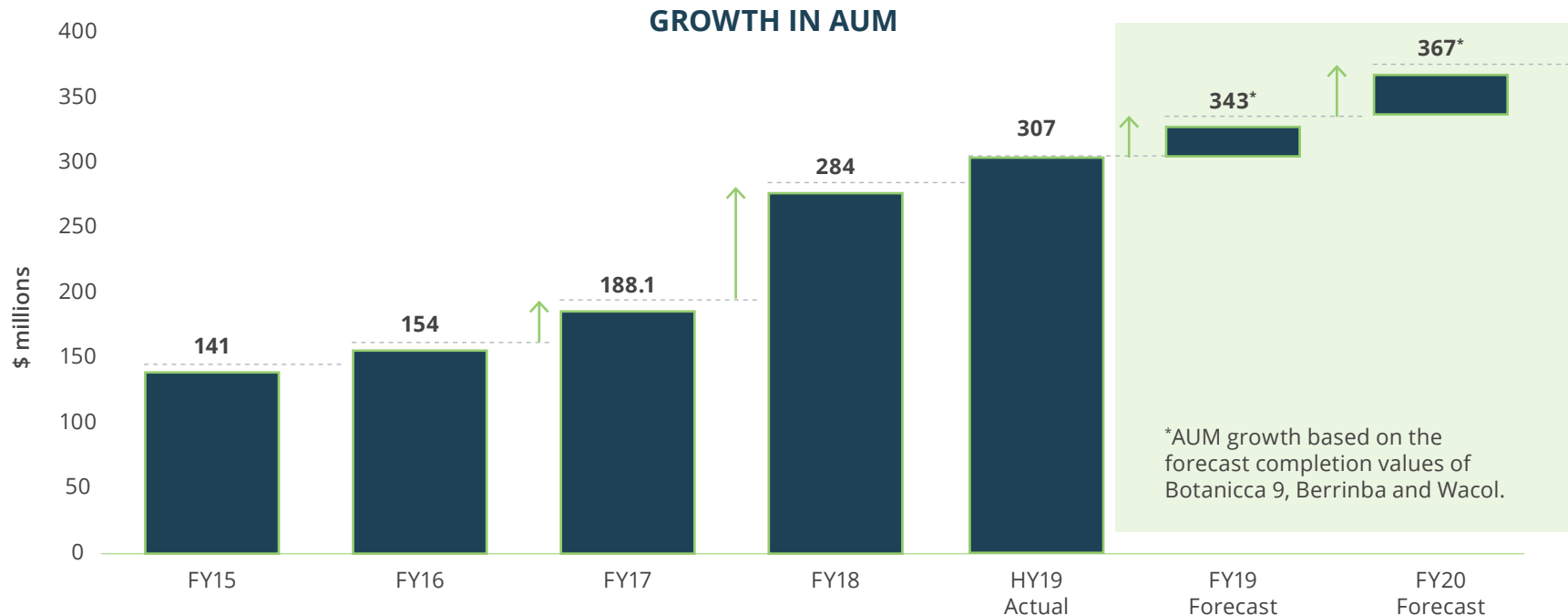
Summarised Statement of Financial Position	Half Year 31 Dec 18 \$000's	Full Year 30 June 18 \$000's
Assets		
Cash and Cash Equivalents	3,459	8,547
Trade and Other Receivables	3,538	1,133
Financial Assets	28,908	21,786
Investment Properties	1,250	1,250
Deferred Tax Asset	-	-
Intangible Asset	307	326
Other Assets	76	84
Total Assets	37,538	33,126
Liabilities		
Trade and Other Payables	1,152	1,153
Borrowings	11,970	11,970
Current Tax Liability	507	102
Deferred Tax Liability	88	57
Other Liabilities	31	42
Total Liabilities	13,748	13,324
Net Assets	23,790	19,802

- The Group's major balance sheet item is its unitholding in GDF.
- This investment (financial assets) is carried at the 31 December 2018 ASX closing price of \$1.32 per unit, compared to \$1.165 per unit at 30 June 2018.
- Cash decreased from \$8.5 million to \$3.5 million due to deployment into debt and equity investments.
- Net assets for the year increased \$4.0 million or 20%, from \$19.8 million to \$23.8 million.
- Borrowings consist of a \$10.0 million loan to partially fund the GDF investment, and the capital adequacy loan of \$1.97 million which is subject to an ASIC deed of subordination.

OPERATING ACTIVITIES

- The Group's operating activities generate revenue from funds management.
- GARDA is the responsible entity and fund manager (and holds a 13.8% investment) of GARDA Diversified Property Fund (ASX: GDF).
- Fund 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 fund management revenues include capital expenditure fees, property and facilities management and other real estate agency functions such as leasing.
- The Group's debt activity revenues consist of procurement and trail or establishment and line fees. The Group is pivoting from traditional brokerage to a co-investment debt funds management model and has completed its first syndicated advance with house and third party capital during the 1HFY19.

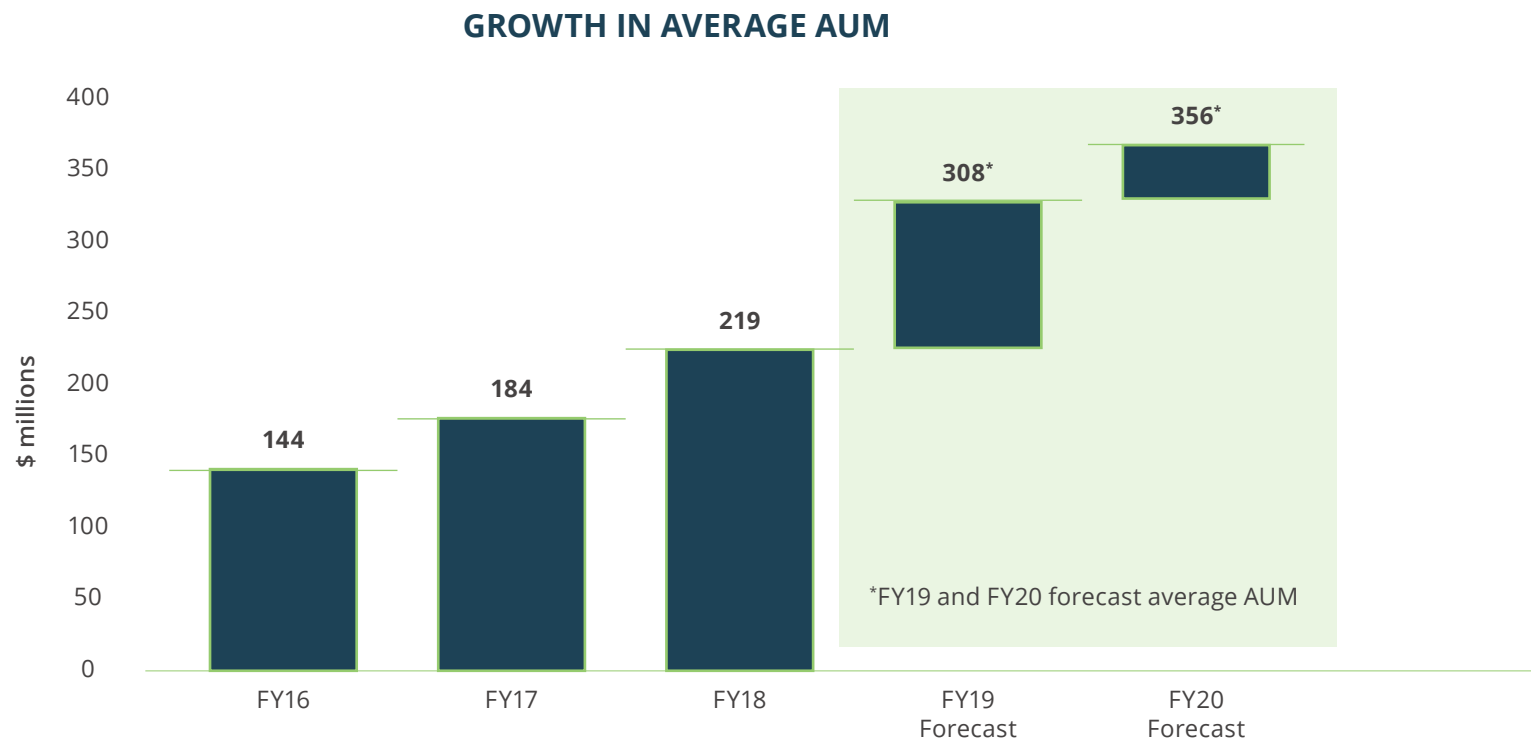
GROWTH IN ASSETS UNDER MANAGEMENT (AUM)



- GARDA continues to grow AUM year on year for the GARDA Diversified Property Fund.
- GARDA has embedded AUM growth from:
 - Botanica 9 project – 7,150m² office building due for completion in May 2019 (AUM of \$330 million)
 - Berrinba project – approximate 5,500m² industrial building to commence in H1FY20 (AUM of \$337 million)
 - Progress Road, Wacol project - approximate 17,000m² industrial complex to commence construction in H1FY20 (AUM to \$367 million)

GROWTH IN AVERAGE AUM

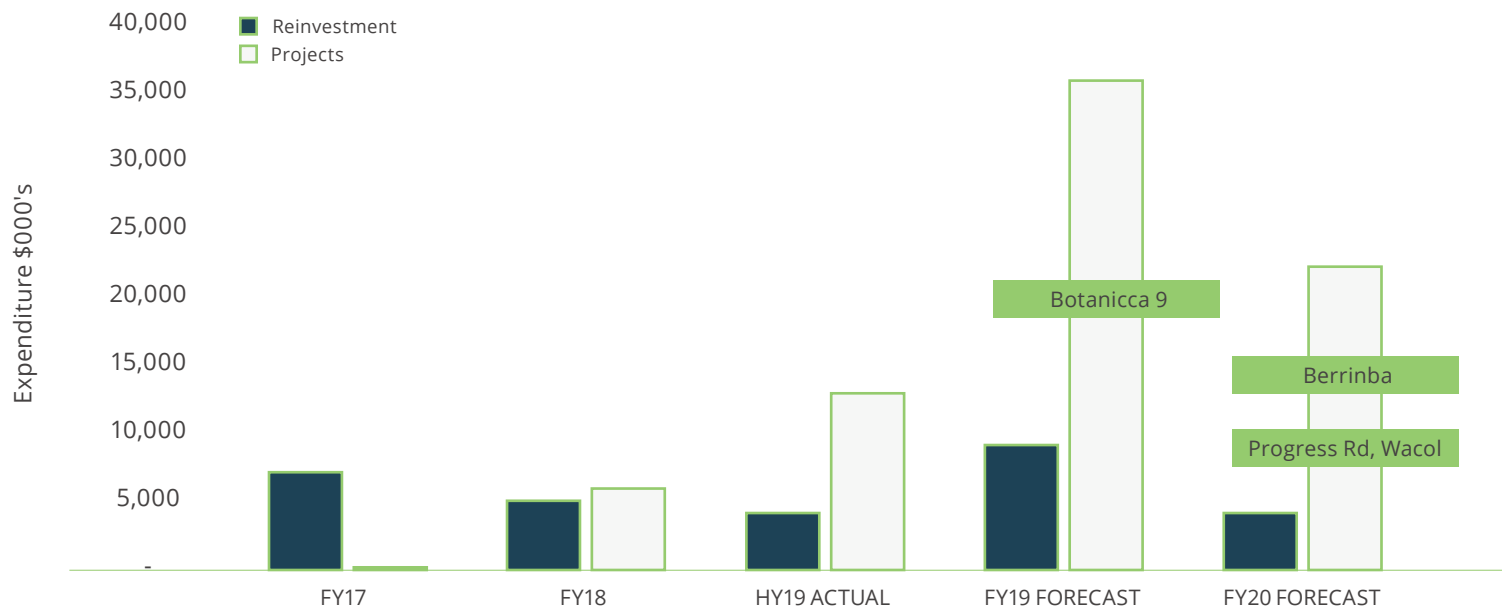
- Average AUM in any year more accurately reflects the basis upon which funds management revenue has been derived for that year.
- AUM reported at year end provides the starting basis for funds management revenue for the future period.
- GARDA has demonstrated sustained growth in AUM with FY19 commencing AUM of \$284 million being an approximately 30% increase on average AUM of FY18.



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 Botanicca 9 commercial office project currently under construction.
- GDF has announced two industrial site acquisitions where it intends to build modern industrial facilities to retain as long term investments:
 - I. Berrinba, QLD – expected to commence construction of a \$6.3 million facility in the later part of H2FY19.
 - II. Wacol, QLD – expected to settle in May 2019 with construction of a \$25 million facility commencing in H1FY20.

GDF CAPITAL EXPENDITURE



FUTURE POTENTIAL PROJECTS

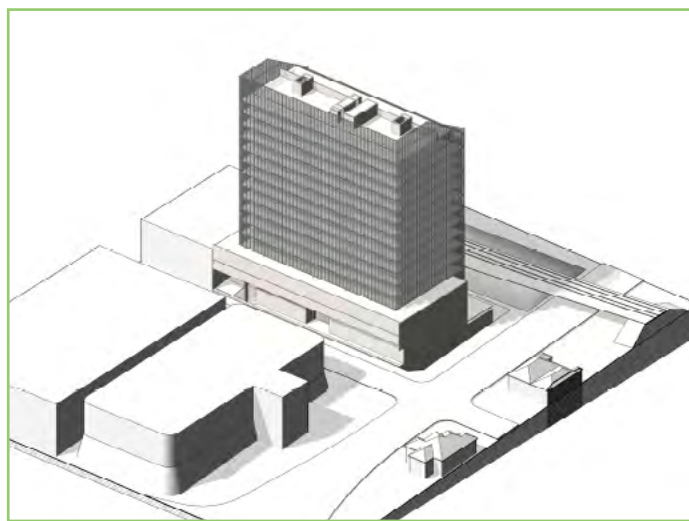
- Asset creation is a key differentiation and competitive advantage for both GCM and GDF.
- This strategy creates value for both investors of GCM and GDF.
- To date, this value has been created through the acquisition of sites where GARDA has proceeded to construct assets to hold as investments over the long term.
- GDF has a number of existing assets that also provide future (not immediate) development opportunity.
- This latent value within existing GDF assets potentially provides benefits to GDF investors through asset creation and to GCM investors through co-investment and capital expenditure fees.
- Such assets include:
 1. 436 Elgar Road, Box Hill which has both commercial and residential potential; and
 2. 26-30 Grafton Street, Cairns which is a block of land attached to GDF's existing 15 level office building (9-19 Lake Street). This provides an opportunity for either a residential or more likely future commercial development.

BOX HILL METRO ACTIVITY CENTRE

- GDF currently owns a 31 year old, three level office building with a total NLA of 6,587m² located at 436 Elgar Road, Box Hill.
- The building is 100% occupied and has a 3.9 year WALE.
- The building sits on a 2,650m² corner site.
- Box Hill is located approximately 15 kilometres east of the Melbourne CBD.
- The area had traditionally been characterised by a mix of low-density residential and commercial uses, however, the area is currently undergoing significant transformation.
- There is significant amenity in close proximity to the site, including Box Hill Central (shopping centre), Box Hill train station and Box Hill gardens.
- The site has two potential future 'higher and better use' including both commercial and residential.

Commercial – possibly a 16 storey office building of approximately 17,000m² of net lettable area.

Residential – possibly a 19 storey residential tower of approximately 31,000m² of GFA, yielding 229 one and two bedroom apartments.



INVESTMENT ACTIVITIES

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

EQUITY

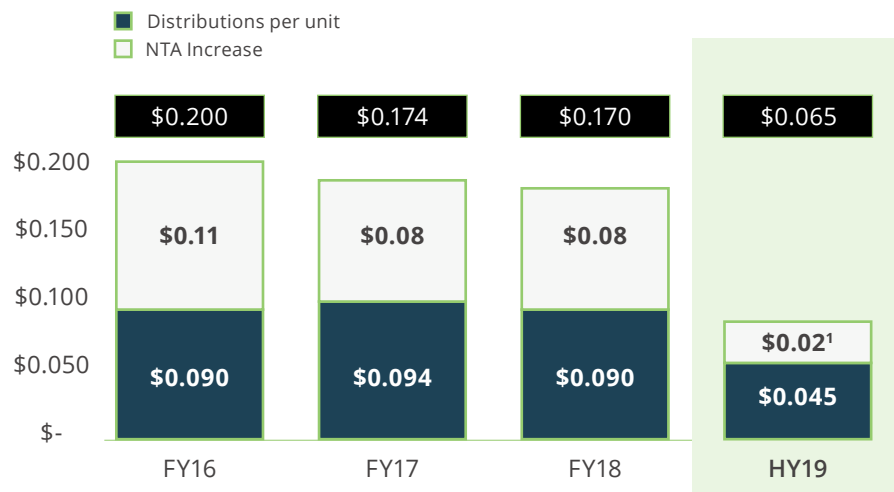
- GARDA's primary equity investment is its 21.9 million units in GDF, representing 13.8% of GDF.
- The Group deployed a further \$4.0 million into GDF as part of the \$25 million placement announced in October 2018.
- The Directors measure performance having regard to the distributions received, and the fair value movement (increase or decrease in asset values) of its investment in GDF, over each financial period.

DEBT

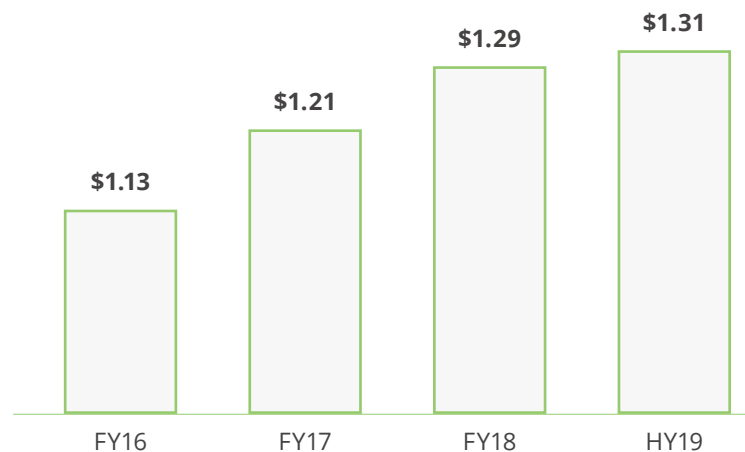
- GARDA invests in property through debt positions.
- The Group made further investments in debt positions with the advancement of two new loans totalling \$2.1 million.
- Debt investment generates both fees (accounted for in the operating revenues of the Group) and interest (accounted for in the investing revenues of the Group). Both of these are assessed when considering a debt investment.

CO-INVESTMENT IN GDF

GDF DISTRIBUTIONS AND NTA UPLIFT PER UNIT



GDF NTA PER UNIT



- GCM's investment in GDF totals \$28.9 million at 31 December 2018 ASX closing price of \$1.32 per unit.
- GDF current price of \$1.36 is trading near to NTA of \$1.31 per unit.
- GCM has enjoyed GDF's strong year on year distribution returns and continued NTA per unit uplifts.
- Valuations are completed annually in June.
- H1FY19 change to NTA is as a result of a litigation win and separately equity raising costs associated with GDF's \$25m October placement.

1. Portfolio revaluations due to be completed by June 2019.

MEASURING PERFORMANCE OF INVESTMENT ACTIVITY

- Performance of the Group's investment activities is measured by reference to the *underlying earnings of investment activity 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 21.9 million units in GDF.
- Investment activity generated net interest and distributions of \$0.62 million after tax for the half year.
- Fair value uplift of \$3.1 million was recognised at 31 December 2018 based on the GDF ASX closing price of \$1.32.
- HY19 underlying *investment activity* earnings after tax, (adopting the 31 December 2018 ASX closing price) was **\$3.7 million or 18.9% return** for the half-year, on 30 June 2018 net assets of \$19.8 million.

GROUP RETURN ON EQUITY

- Total return on securityholders equity is measured, as the sum of the underlying *operating activity* earnings after tax and the underlying *investing activity* earnings after tax, over the Group's equity at the beginning of the financial period.
- A total return for HY19 of **\$4.8 million or 24.4%** was achieved on 30 June 2018 net assets of \$19.8 million.

OUTLOOK

- GCM started FY19 with \$284 million of AUM, compared to the FY18 average AUM of \$219 million.
- AUM to increase to \$337 million upon completion of Botanicca 9 project in May 2019 and the settlement of Progress Road, Wacol industrial site in May 2019.
- GDF continues to seek net AUM growth of approximately \$100 million per annum.
- FY19 and FY20 capital expenditure fee revenue materially benefits from estimated respective spends of approximately \$43 million and \$27 million.
- GCM will continue to 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.
- 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).
- A final FY19 corporate dividend will be considered at financial year end.

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GARDA DIVERSIFIED PROPERTY FUND

REAL ESTATE INVESTMENT

**PRIMARY EQUITY INVESTMENT IS SUBSTANTIAL UNITHOLDER POSITION
(13.8%) IN GARDA DIVERSIFIED PROPERTY FUND**

21.9m UNITS
\$28.7m at NTA

\$0.09 per unit
FORECAST FY2019
GDF DISTRIBUTIONS

~70%
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 6.62% 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 continued to participate in capital raisings to maintain a strategic and significant holding in the Fund, currently at 13.8%.

GDF AT A GLANCE

\$330 MILLION¹ ~ \$210 MILLION

COMMERCIAL AND INDUSTRIAL PORTFOLIO MARKET CAPITALISATION

99%
OCCUPANCY²

5.7 YEARS
WALE²

3.3%
WEIGHTED AVERAGE
RENT REVIEWS

\$0.09/unit
FY2019 Distribution FORECAST

3.32%
LVR³

\$1.31
NTA Per Unit

6.78%
WEIGHTED AVERAGE
CAP RATE⁴

ALIGNED MANAGER
GARDA Capital
holds 13.82% of GDF units

1. Based on the 'upon completion' value of Botannica 9 and land value for Berrinba acquisition

2. WALE and occupancy as at 1 January 2019.

3. LVR calculated as total drawn debt facilities divided by total property assets as at 18 February 2019.

4. Weighted average capitalisation rate includes the upon completion value and cap rate for Botannica 9.

DIVERSIFIED PORTFOLIO

PORTFOLIO VALUE (BY SECTOR)

COMMERCIAL 68%

INDUSTRIAL 32%

PORTFOLIO VALUE (BY LOCATION)

44%

28%

15%

9%

4%

■ Melbourne ■ Brisbane ■ Cairns ■ Mackay ■ Gold Coast



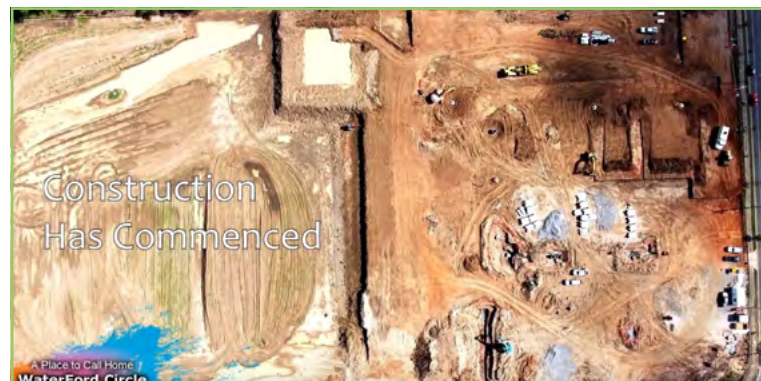


REAL ESTATE DEBT INVESTMENT

REAL ESTATE DEBT INVESTMENT

BRISBANE LAND SUB-DIVISION AND DEVELOPMENT

- Debt was structured to assist with the acquisition and construction of a 32 lot residential sub-division to the south of Brisbane with a completion value of \$7.17 million
- An initial \$1.36 million facility (fully drawn) was provided by GARDA in August 2018 to assist with settlement of the site.
- In November 2018, an additional \$4.275 million was provided by GARDA and also assigned to an external investor (\$3.6 million) to assist with construction.
- Currently all facilities are drawn to \$3.3 million.
- GARDA earns both interest income (investment) as well as margins and structuring fees (non-investment).
- Total forecast investment and non investment returns on GARDA deployed capital over 13 months totals approximately 20%.



Lender	Size	Max. LVR	Interest – Nature	Interest	Line	Structuring
GARDA	\$1.7 million	N/A	Capitalising	12%	3.00%	3.00%
External	\$3.6 million	79%	Capitalising	15%	n/a	3.00%

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