

A modern glass skyscraper with multiple floors, reflecting the sky and clouds. The building is viewed from a low angle, making it appear tall and imposing. The glass panels are dark, and the building's structure is visible through the reflections. The sky is a mix of blue and grey, suggesting an overcast day. The overall tone is professional and corporate.

# GARDA

— GARDA PROPERTY GROUP (ASX: GDF)

Half Year Results Presentation

20 February 2020

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# Snapshot



GARDA Property Group (ASX: GDF or GARDA) is an internally managed real estate investment, development and funds management group with a focus on industrial and commercial properties on the east coast of Australia.

6.1%

FY20 FFO Yield<sup>1</sup>

6.4%

FY20 Distribution Yield<sup>1</sup>

\$405m

Portfolio Value

6.60%

Portfolio Cap Rate

17

High Quality Assets

5.6  
years

Portfolio WALE

83%<sup>2</sup>  
occupancy

97% excl. Botanicca 9

\$322m

Implied Market Capitalisation<sup>3</sup>

1. Based on the GARDA FY20 forecast FFO per security and distributions per security, divided by the GARDA ASX price of \$1.415 as at 18 February 2020.

2. Established Property Portfolio (excludes project pipeline assets). Occupancy (by income) as at 1 January 2020. Occupancy includes the currently vacant office building at Botanicca 9 however excludes two vacant industrial assets that are development projects located at 56 and 59 Peterkin Street, Acacia Ridge.

3. Based on approximately 227.6 million stapled securities, multiplied by the GARDA ASX price of \$1.415 as at 18 February 2020.





GARDA

# Overview

# Highlights

Key outcomes during H1 FY20



## \$200 million debt restructure in progress

- GARDA is well advanced in restructuring its existing debt facilities with St. George Bank (current limit **\$131.6 million**) and ANZ Banking Group (current limit **\$49.1 million**).
- The new debt structure is expected to be a **\$200 million** syndicated facility, increasing GARDA's borrowing capacity by **\$19.3 million**.
- Negotiations with the participating banks are in progress and financial close is expected to occur in the short term.

## Portfolio Leasing

- **21,997m<sup>2</sup> leased** across established assets during the HY.
- Limited near term portfolio expiry with **6,395m<sup>2</sup> across 7 tenancies** to treat with during CY2020.
- Advanced negotiations continue **with tenants for 11,404m<sup>2</sup>** in the Wacol and Acacia Ridge projects.

## Internalisation of Management

- GARDA internalised its management function in December 2019.
- This resulted in an increase of scale and liquidity with market capitalisation now approximately **\$322 million**.

## Project Pipeline

- Project pipeline totals approximately **50,000m<sup>2</sup>** of Brisbane industrial.
- Projects totalling **22,704m<sup>2</sup>** of NLA will start in 2HFY20.
- The capital commitment for these works totals approximately **\$26 million** including the costs of bulk earthworks and services at Pinnacle on Progress, Wacol.

# Financial Performance

The following table provides a reconciliation of statutory profit and FFO:

		31 December 2019 \$000	31 December 2018 \$000
FFO	\$000	7,697	6,451
Fair value movement in investment properties:			
Increase in independent valuations	3,310		-
Acquisition costs	(4,560)		-
Capital additions and capitalised costs	(5,139)		-
Other	(380)	(6,769)	(593)
Fair value movement of derivative financial instrument		323	(475)
Incentives amortisation and rent straight-line		184	153
Non-underlying and non-recurring revenue		-	8,000
Non-underlying and non-recurring expenses		(1,280)	(666)
<b>Net profit for the half year attributable to securityholders</b>		<b>155</b>	<b>12,870</b>
FFO per security (cents)		4.35	4.40
Distribution paid and payable		7,988	6,680
Distribution payout ratio		103.8%	103.5%

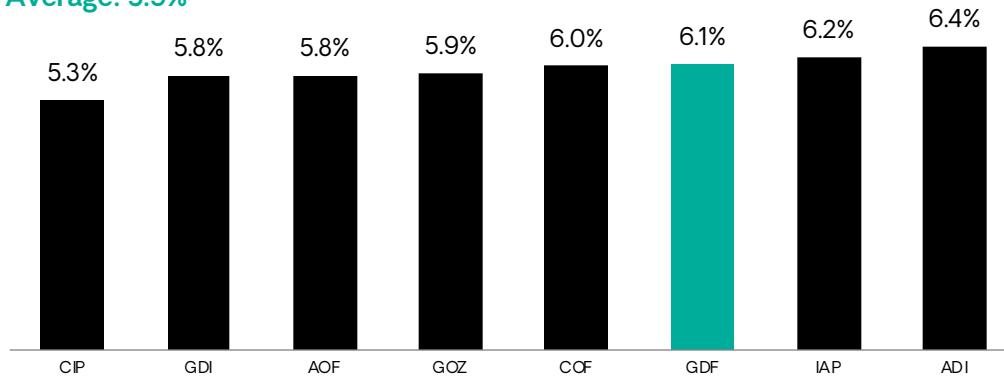


# Peer Analysis

GARDA Property Group

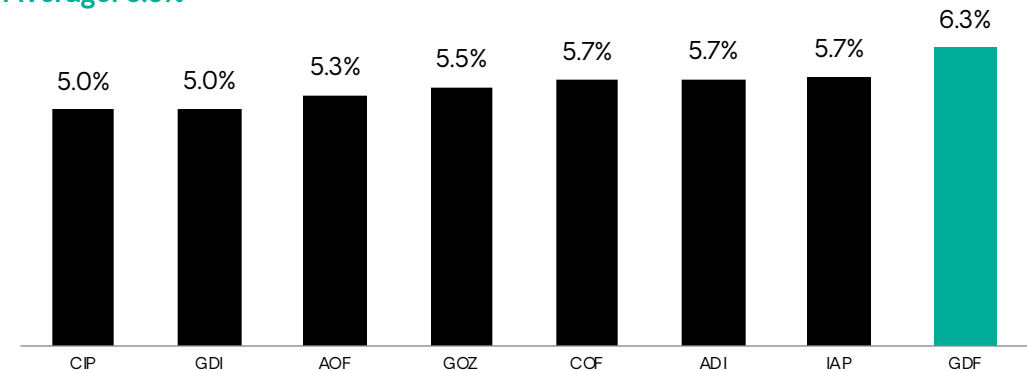
## FY20 earnings yield

Average: 5.9%



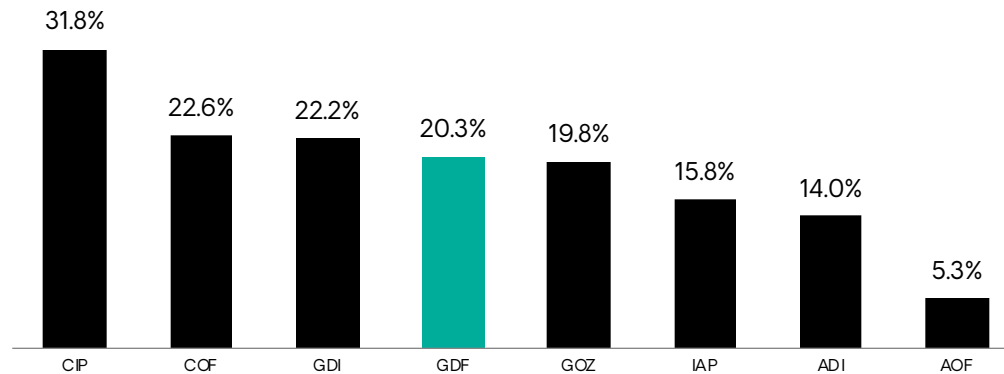
## FY20 dividend yield

Average: 5.5%



## Premium/(Discount) to NTA

Average: 19.0%



## Gearing

Average: 29.0%



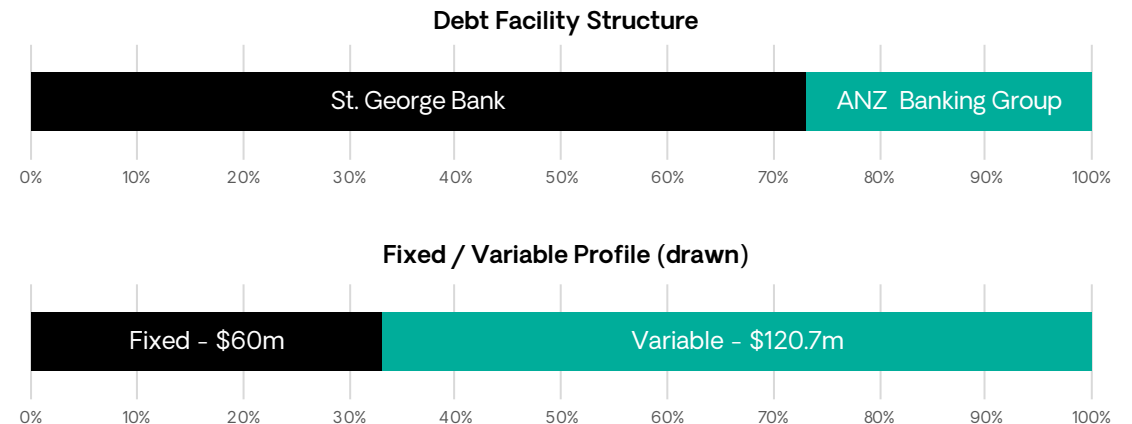
Source – Factset and Bloomberg consensus data as at 13 February 2020

# Capital Management

## Debt and equity

- GARDA completed a **\$31.5 million** placement at \$1.40 per unit in September 2019 to partially fund the acquisitions of a **\$41.0m** industrial acquisition in Morningside, Brisbane.
- GARDA also secured a new **\$18.5 million** senior debt facility with ANZ Banking Group to assist in the settlement of the Morningside acquisition.
- GARDA is well advanced in restructuring its existing debt facilities with St. George Bank (current limit **\$131.6 million**) and ANZ Banking Group (current limit **\$49.1 million**).
- The restructure is expected to deliver an increase in limit from **\$180.7 million** to **\$200 million**.
- Negotiations with the participating banks are in progress and financial close is expected to occur in the short term.
- Current gearing as at 18 February 2020 is 36%.
- GARDA's debt facilities continue to be hedged by a **\$60.0 million** interest rate swap contract at a rate of 2.68% expiring in July 2022.

Key Debt Metrics - Senior Bank Loans	Current Debt	Post-Restructure
Total debt facilities	\$180.7 million	\$200 million
Drawn Debt	\$168.1 million	\$168.1 million
Undrawn debt	\$12.6 million	\$31.9 million
Weighted average debt duration	0.6 years	3.0 years
Weighted average cost of debt	3.0%	
Hedged debt	\$60 million	
Weighted average hedge duration	2.4 years	
Gearing	36%	





# Acquisitions

## 326 & 340 Thynne Road, Morningside

- Acquired for **\$41.0 million** on 30 September 2019.
- Located **4.5 kilometres east of the Brisbane CBD** with immediate access to the Gateway arterial roads.
- The property comprises two warehousing and distribution facilities on a **4 hectare site** including **surplus land of 7,500m<sup>2</sup>**.
- The surplus land was valued at **\$4.5 million**.
- The initial yield was **5.85% on total purchase price** and **6.57%** excluding the surplus land value.
- The larger **11,475m<sup>2</sup>** facility was constructed 10 years ago, while the **5,504m<sup>2</sup>** building was constructed approximately 30 years ago and refurbished comprehensively in 2017/2018.
- The larger building is able to be expanded by **5,872m<sup>2</sup>** on the adjoining surplus land. A development approval is in place.
- The assets were acquired with a **3.35 year WALE**. The Komatsu lease (11,475m<sup>2</sup>) was due to expire in July 2020, however, Komatsu recently exercised a 3 year option, extending the WALE to 5.0 years.

Summary Of Major Tenants	NLA (m <sup>2</sup> )	Gross Income	Rent Review	Lease Expiry
Wallace International	5,504	\$0.7m	3.50%	31 July 2028
Komatsu	11,475	\$1.7m	3.25%	14 July 2023
<b>Total</b>	<b>16,979</b>	<b>\$2.4m</b>		



Property Overview	326 Thynne Rd, Morningside	340 Thynne Rd, Morningside
Land area (m <sup>2</sup> )	17,791	22,337
NLA (m <sup>2</sup> )	11,475	5,504
Purchase price	\$41.0 million	
Capitalisation rate	5.75%	
Initial yield	6.57%	
Occupancy (by income)	100%	
WALE (by income)	5.0 years	

# 7.9 Years

Box Hill WALE

# 11,404m<sup>2</sup>

Development Pre-Commitment  
under discussion

# 21,997m<sup>2</sup>

~ 15% Portfolio NLA Leased

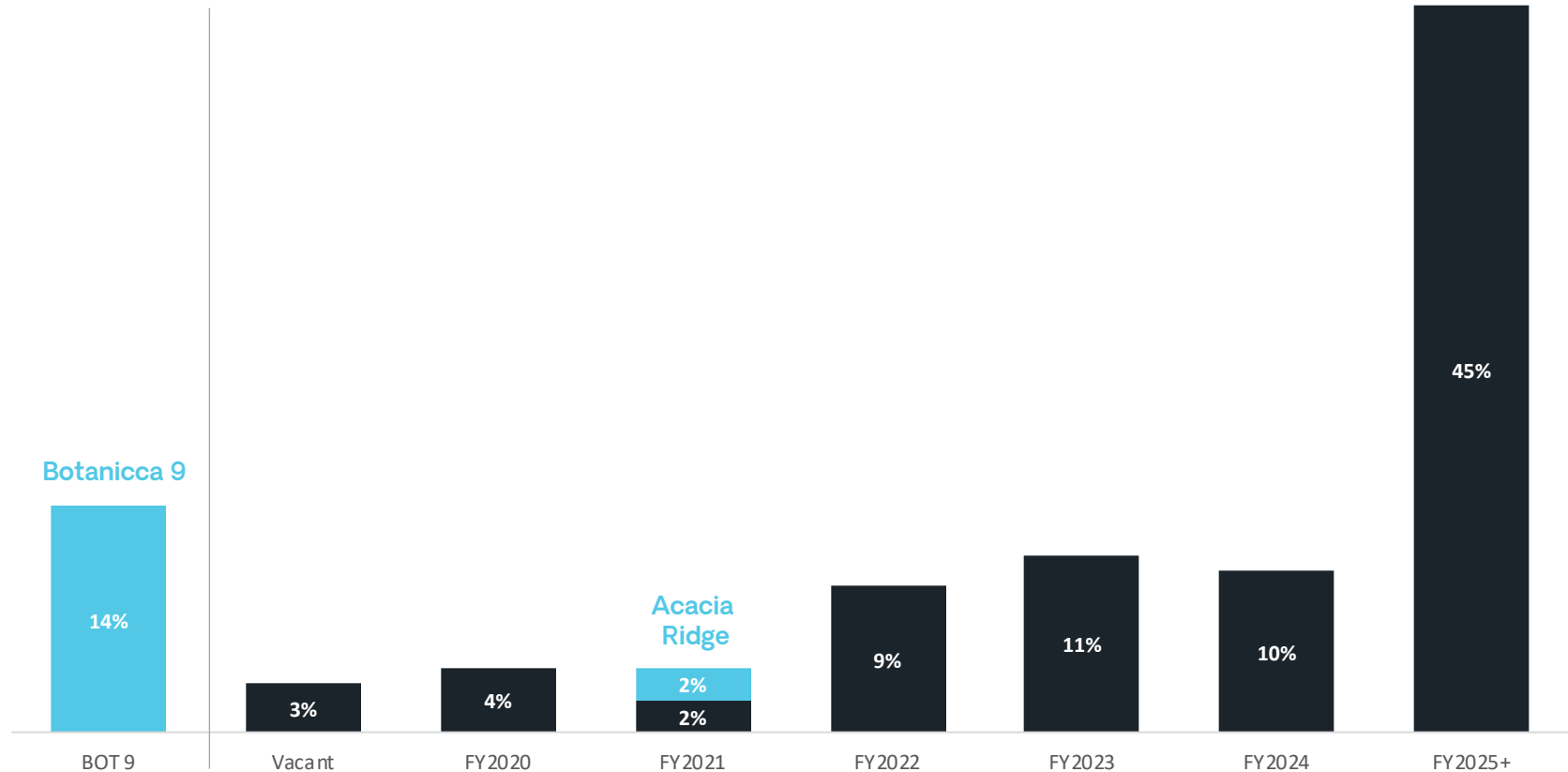
## Leasing

Active period with significant leasing occurring in both established portfolio and projects.

- Planet Innovation, who has been a tenant for six years at the Box Hill office asset, has committed to a **new seven year lease** for the entire building (5,728m<sup>2</sup>) resulting in a significant **increase in WALE** from 3.4 years to **7.9 years**.
- Komatsu (11,475m<sup>2</sup>) exercised a three year option at Morningside, a property acquired in October 2019, **extending WALE to 5.0 years**.
- A short term (**8 month lease**) has been signed at the currently vacant 56 Peterkin Street, Acacia Ridge, beginning March 2020. Expiry of the short term agreement will align with the planned re-development of this site.
- Continued activity with tenants for pre-commitments at the Brisbane industrial development projects including a **signed lease for 6,200m<sup>2</sup>** of total stage 1 development NLA of **12,000m<sup>2</sup>** for seven years at 69 Peterkin Street, Acacia Ridge.

# At Risk Income

## Lease expiry profile<sup>1,2</sup>



1. At risk income assessed as portfolio gross income
2. Excludes development assets located at 56 and 69 Peterkin Street, Acacia Ridge.

Management of year on year lease expiry remains positive with strong tenant retention rates.

Established portfolio vacancy at **3%** includes **802m<sup>2</sup>** at Gold Coast and 1,158m<sup>2</sup> at Cairns.

Botanicca 9 (**7,109m<sup>2</sup>**) represents 14% current vacancy. When fully leased it will deliver approximately **\$4.0 million** in annual net income.

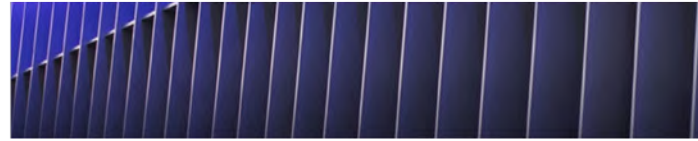
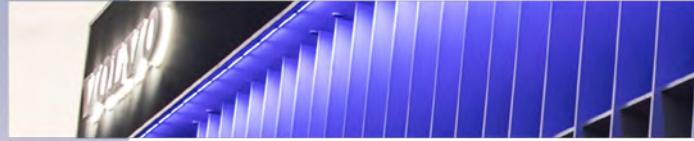
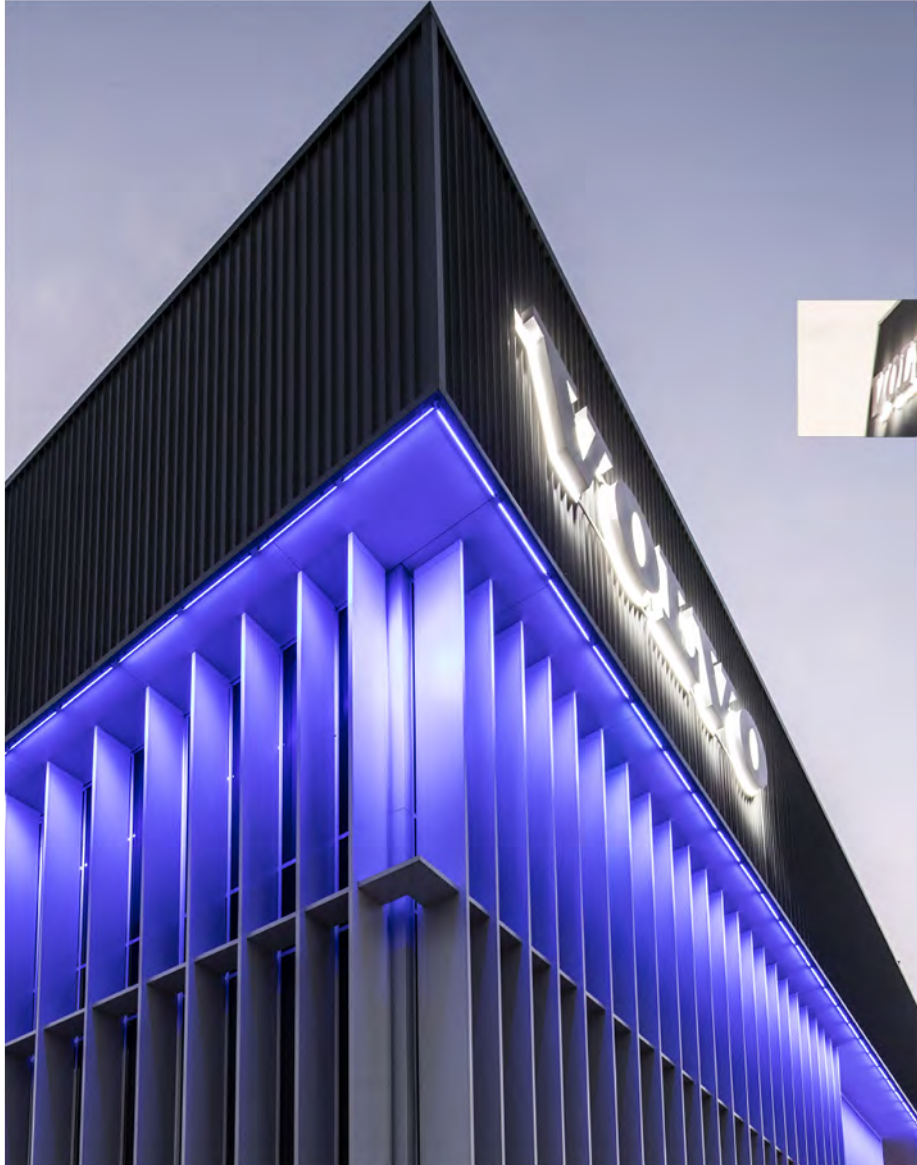
FY20 expiry includes:

- QPS (Gold Coast) – **968m<sup>2</sup>**
- Grant Thornton (Cairns) – **548m<sup>2</sup>**
- Visy (Lytton) – **3,477m<sup>2</sup>**

FY21 expiry includes **4,465m<sup>2</sup>** (or **2%**) at 38 Peterkin Street, Acacia Ridge. Upon expiry this property will become a development asset.

FY22 expiry includes:

- DTMR (Cairns) – **4,579m<sup>2</sup>**
- Freight & Logistics (Archerfield) **2,769m<sup>2</sup>**



# Property Portfolio



# Transformation of GARDA



GARDA has grown to approximately \$405m in assets up from \$140m over the past five years.

01

August 2016



Acquired  
Blackwoods  
**\$29.5m**

02

June 2017



Sold  
The Circuit  
**\$23.0m**  
(2.7% premium)

03

July 2017



Acquired Pinkenba  
& Metroplex  
Westgate  
**\$54.3m**

04

April 2018



Acquired Heathwood  
**\$9.8m**

05

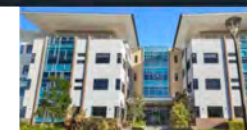
June 2019



Completed Botanicca  
9  
**\$62.8m**

06

June 2019



Sold  
Murarrie  
**\$17.3m**  
(17% premium)

07

July 2019



Acquired  
Acacia Ridge  
**\$31.0m**

08

September 2019



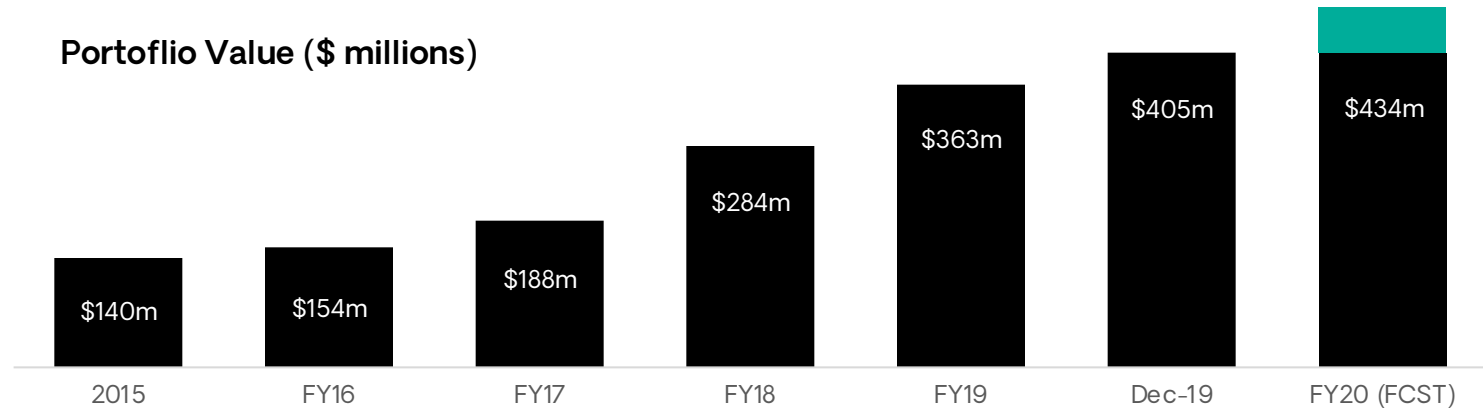
Acquired Morningside  
**\$41.0m**

	IPO	FY16	FY17	FY18	FY19	CURRENT
No of properties	7	8	9	11	16	17
Value (\$m)	140.7	182.6	233.5	327.2	362.8	405.1
NLA (m <sup>2</sup> )	45,088	59,074	66,694	117,615	135,323	152,119
NTA per security	\$1.02	\$1.13	\$1.21	\$1.29	\$1.37	\$1.19
Portfolio cap rate (%)	8.9%	8.13%	7.37%	6.78%	6.79%	6.60%
Market Cap (\$m)	\$97m					~\$322m

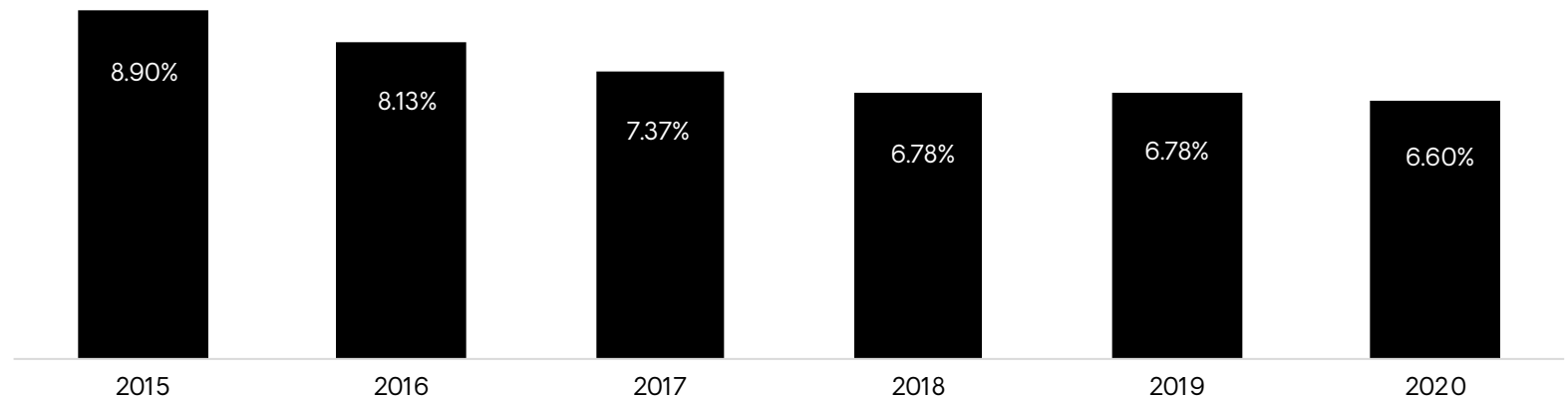
# AUM Growth

## Portfolio Value

### Portfolio Value (\$ millions)



### Portfolio Capitalisation Rate (%)



- GARDA has grown its property portfolio by **189%** from \$140 million in 2015.
- Increase in FY20 YTD AUM has been delivered through the **\$41.0 million** acquisition of Morningside industrial assets.
- Upon completion of projects at Berrinba, Wacol (building C) and Acacia Ridge (stage 1), AUM is expected to increase to approximately **\$434 million**.
- Capitalisation rate compression to **6.60%** is reflective of the continued increase in quality of the assets acquired in the portfolio.

# Portfolio Improvement

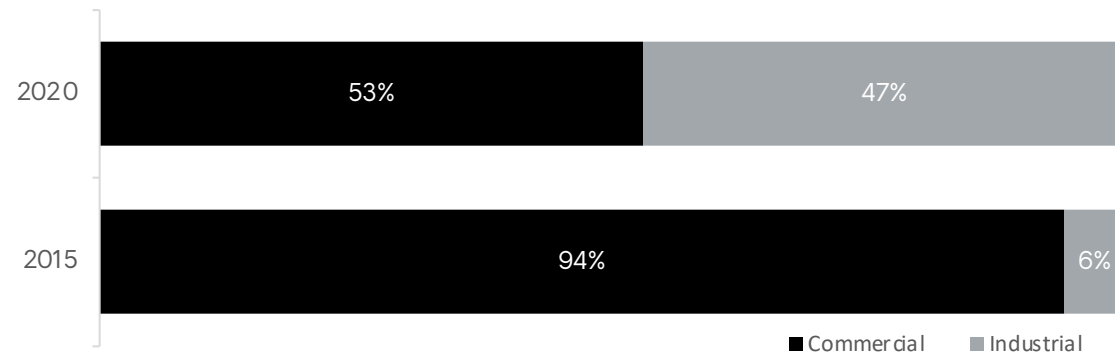
Quality, Resilience, Diversification.

**Quality** – The portfolio quality, as measured by the continued compression of the weighted average capitalisation rate is reflective of both the positive asset outcomes in the established portfolio and the quality of acquisitions and new projects.

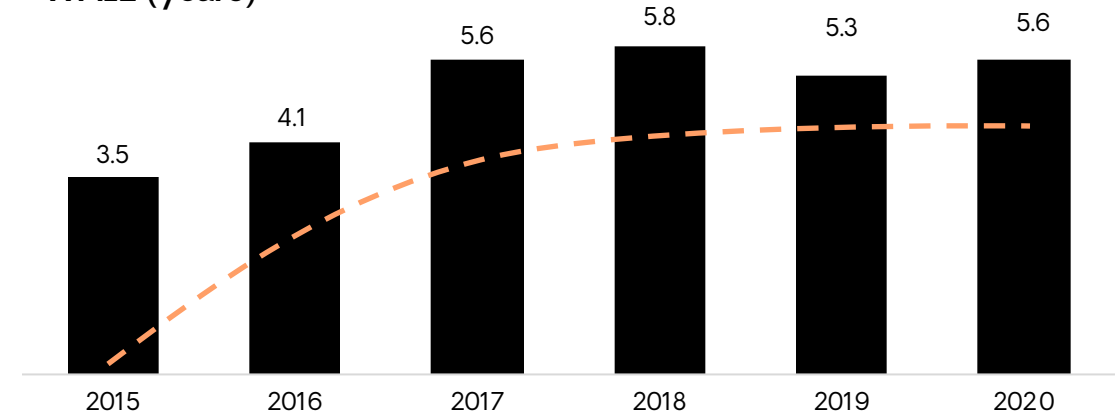
**Resilience** – Improved resilience is demonstrated via the increased and maintained improvement in WALE to over 5 years and the quality of tenant.

**Diversification** – GARDA has refocused the portfolio to a materially increased industrial exposure now representing almost **50%** of the Portfolio.

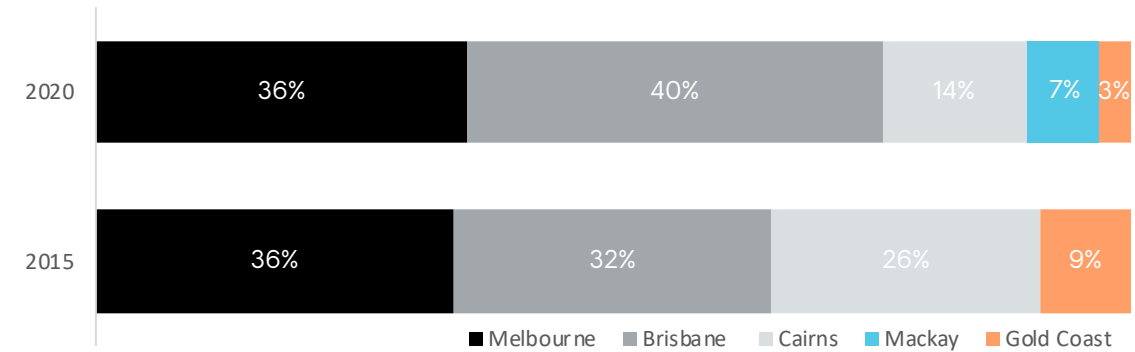
Portfolio Value (by sector)



WALE (years)

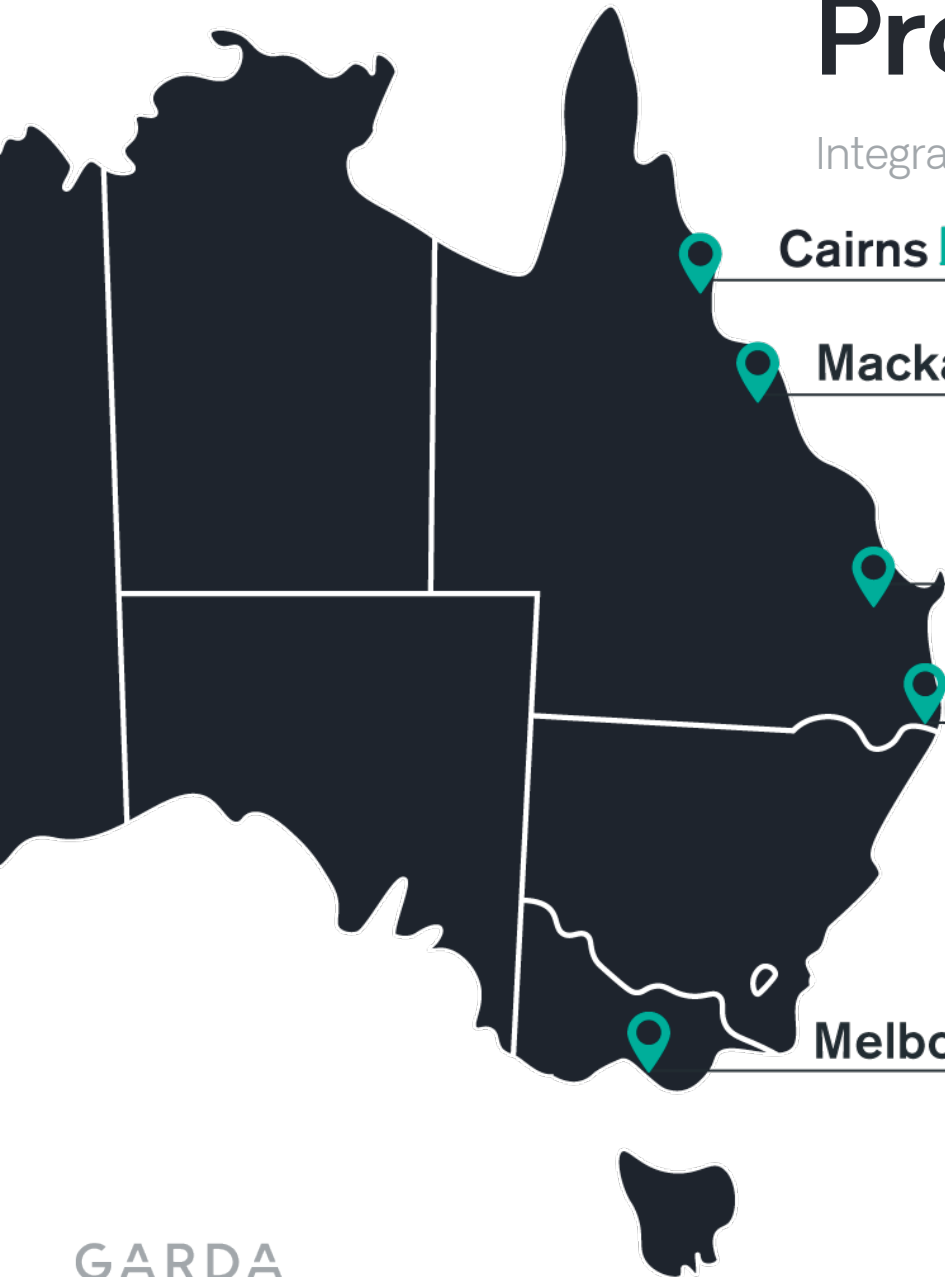


Portfolio Value (by location)



# Property Portfolio

Integrated, commercial and industrial property platform



## Cairns

Cairns, 9-19 Lake Street **(\$58.0m)**

## Mackay

Mackay, 69-79 Diesel Drive **(\$30.0m)**

## Brisbane

Acacia Ridge, 38 Peterkin Street **(\$6.0m)**

Acacia Ridge, 56 Peterkin Street **(\$6.7m)**

Acacia Ridge, 69 Peterkin Street **(\$10.9m)**

Archerfield, 839 Beaudesert Road **(\$6.0m)**

Berrinba, 1-9 Huntress Street **(\$3.13m)**

Heathwood, 67 Noosa Street **(\$11.25m)**

Lytton, 142-150 Benjamin Place **(\$9.8m)**

Morningside, 326 & 340 Thynne Road **(\$41.0m)**

Pinkenba, 70-82 Main Beach Road **(\$20.0m)**

Wacol, 41 Bivouac Place **(\$39.0m)**

Wacol, 498 Progress Road **(\$6.33m)**

## Gold Coast

Varsity Lakes, 154 Varsity Parade **(\$12.5m)**

## Melbourne

Box Hill, 436 Elgar Road **(\$32.0m)**

Richmond, 572-576 Swan Street **(\$53.5m)**

Richmond, 588A Swan Street **(\$59.0m)**



# Property Portfolio

GARDA Property Group



Classification	Property Portfolio	Type	Independent Valuation (\$m)	Cap Rate (%)	NLA (m <sup>2</sup> )	WALE	Occupancy	NABERS
Established Assets	Acacia Ridge, 38 Peterkin Street	Industrial	6.00	7.50%	4,465	0.7	100%	N/A
	Archerfield, 839 Beaudesert Rd	Industrial	6.00	7.50%	4,524	1.5	92%	N/A
	Box Hill, 436 Elgar Road	Office	32.00	6.25%	5,728	7.9	100%	3.0
	Cairns, 7-19 Lake Street	Office	58.00	8.25%	14,683	3.2	93%	5.0
	Heathwood, 67 Noosa Street	Industrial	11.25	6.75%	6,022	8.2	100%	N/A
	Lytton, 142-150 Benjamin Place	Industrial	9.80	7.00%	5,677	1.4	100%	N/A
	Mackay, 69-79 Diesel Drive	Industrial	30.00	7.50%	13,843	9.0	100%	N/A
	Morningside, 326 & 340 Thynne Road	Industrial	41.00	5.75%	16,797	5.0	100%	N/A
	Pinkenba, 70-82 Main Beach Road	Industrial	20.00	6.75%	40,490	13.6	100%	N/A
	Richmond, 572-576 Swan Street	Office	53.50	5.75%	6,587	3.9	100%	4.5
	Richmond, 588A Swan Street	Office	59.00	5.75%	7,109	-	0%	N/A
	Varsity Lakes, 154 Varsity Parade	Office	12.50	8.25%	3,994	2.4	82%	6.00
	Wacol, 41 Bivouac Place	Industrial	39.00	5.75%	9,994	8.5	100%	N/A
Current Project	Acacia Ridge, 56 Peterkin Street	Industrial	6.70	7.25%	4,794	-	-	N/A
	Acacia Ridge, 69 Peterkin Street	Industrial	10.90	7.25%	7,412	-	-	N/A
	Berrinba, 1-9 Huntress St	Industrial	3.13	N/A	N/A	-	-	N/A
	Wacol, 498 Progress Road	Industrial	6.33	N/A	N/A	-	-	N/A
			405.110	6.60%	152,119	5.6	84%	

# Property Portfolio

## Top 10 tenants

Tenant	Property	Industry	% of Portfolio Gross Income	Expiry
Planet Innovation <sup>1</sup>	Box Hill	Science & Tech	10.3% <sup>2</sup>	Nov-27
J Blackwoods & Sons	Mackay	Industrials	9.9%	Jan-29
Volvo Group	Wacol	Auto	9.6%	Jul-28
Qld Gov (DTMR)	Cairns	Government	7.8%	Nov-21
Golder Asscoaites	Richmond	Professional Services	6.8%	Jan-25
Komatsu	Morningside	Industrials	6.9%	Jul-20
Byrne Group	Pinkenba	Industrials	5.8%	Aug-33
Fulton Hogan	Richmond	Industrials	3.7%	Jun-22
McLardy McShane	Richmond	Professional Services	3.6%	Jan-23
James Engineering	Heathwood	Industrials	3.3%	Mar-28

1. Annualised gross income, commencing 1 December 2020.

2. A fully leased Botanicca 9 building reduces Planet Innovation to approximately 8.8% of gross portfolio income.



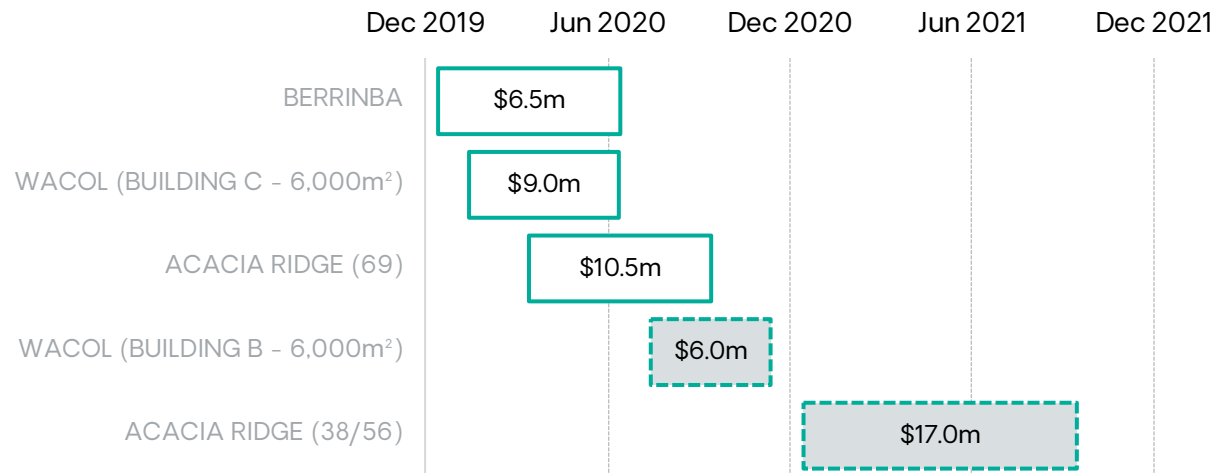
# Development Projects

# Project Pipeline

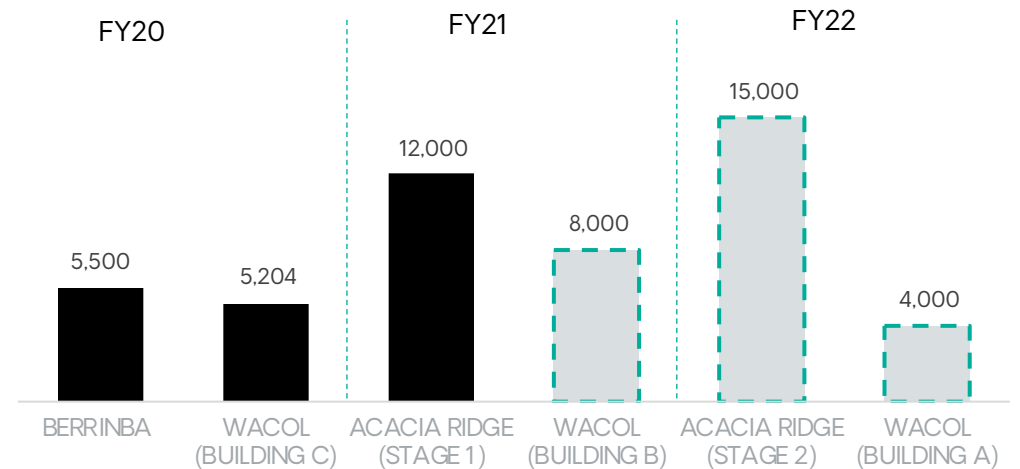
## Brisbane Industrial

- GARDA continues to execute its build to own strategy. New projects are retained as long term investment assets once developed.
- All acquisitions during FY19 and FY20 increased the project pipeline in the Brisbane industrial market.
- Project pipeline totals approximately 50,000m<sup>2</sup> of Brisbane industrial.
- Projects totalling 22,704m<sup>2</sup> of NLA will start in 2HFY20. These include Berrinba, the first of 3 buildings at Wacol and stage one of Acacia Ridge.
- The capital commitment for these works totals approximately \$26 million including the costs of bulk earthworks and services at 'Pinnacle on Progress' Wacol.

### Forecast Pipeline CAPEX Deployment



### Project NLA Delivery (m<sup>2</sup>)





# Project Pipeline

## Berrinba Industrial Development

- GARDA acquired an **11,940m<sup>2</sup>** industrial site in November 2018 for **\$3.0 million**.
- 1-9 Huntress St, Berrinba is located within the established industrial estate 'SouthWest 1 Enterprise Park', approximately 23 kilometres south of the Brisbane CBD, with nearby access to the Logan Motorway.
- GARDA has commenced construction on this modern industrial facility with completion due mid 2020.
- With the recent commencement of construction a leasing campaign has now started.
- The facility will provide approximately **5,000m<sup>2</sup>** of warehouse and **500m<sup>2</sup>** of office accommodation and may easily be divided to accommodate two tenancies.
- Construction costs of approximately **\$6.5 million**.



# Project Pipeline

## Wacol Industrial Development

- GARDA acquired a **4.1 hectare site** for **\$5.9 million** in May 2019.
- The site is located on Progress Road, Wacol, a major dual lane arterial road that has just received an upgrade and widening and connects with three of the major freeways in south west Brisbane.
- All relevant approvals have been received with bulk earthworks have commenced.
- 'Pinnacle on Progress' will provide approximately **17,000m<sup>2</sup>** of prime space over three separate buildings, specifically targeting tenants in the **4,000m<sup>2</sup>** to **8,000m<sup>2</sup>** range.
- Development is programmed to occur in three stages, the first delivering **5,204m<sup>2</sup>** across building C, **8,000m<sup>2</sup>** in Building B and finally approximately **4,000m<sup>2</sup>** in building A fronting Progress Road.
- GARDA anticipates deploying approximately **\$9.0 million** to complete bulk earth and civil works to prepare the site and Building C.
- GARDA is currently in discussions with a pre-commit tenant for **5,204m<sup>2</sup>** (Building C).





# Project Pipeline

## Acacia Ridge Industrial Development

- The three Acacia Ridge assets are co-located transport orientated warehouse properties bordering the Acacia Ridge Intermodal Rail Terminal.
- The three assets provide **61,400m<sup>2</sup>** of land, allowing for approximately **27,000m<sup>2</sup>** of new warehouse to be developed in two buildings designed for multiple tenants.
- Two of the assets (56 & 69 Peterkin Street) are currently vacant enabling immediate redevelopment.
- Development will occur across two stages, the first delivering approximately **12,000m<sup>2</sup>** on the 69 Peterkin Street site and the second approximately **15,000m<sup>2</sup>** on 38 and 56 Peterkin Street.
- Stage 1 construction on 69 Peterkin Street is due to commence in April 2020 for completion in August 2020, at a cost of approximately **\$10.5 million**.
- GARDA is currently in advanced discussion with a pre-commit tenant for **6,200m<sup>2</sup>** of stage 1 NLA.
- 38 and 56 Peterkin St will then be developed as stage 2.

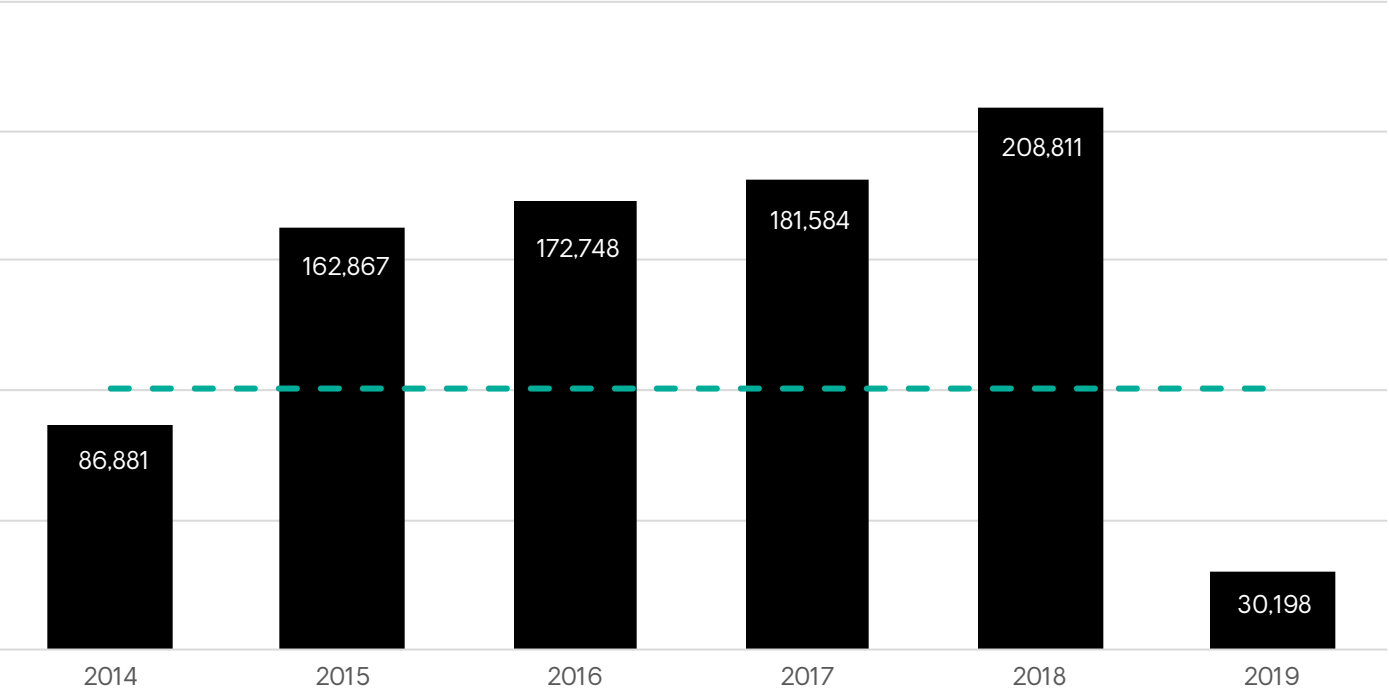


# Leasing

Melbourne City-Fringe Commercial / Botanicca 9

Annual Net Absorption (m²)

■ Annual Net Absorption (m²)    - - - 10 year average = 100,000m² per annum



Source – JLL market data

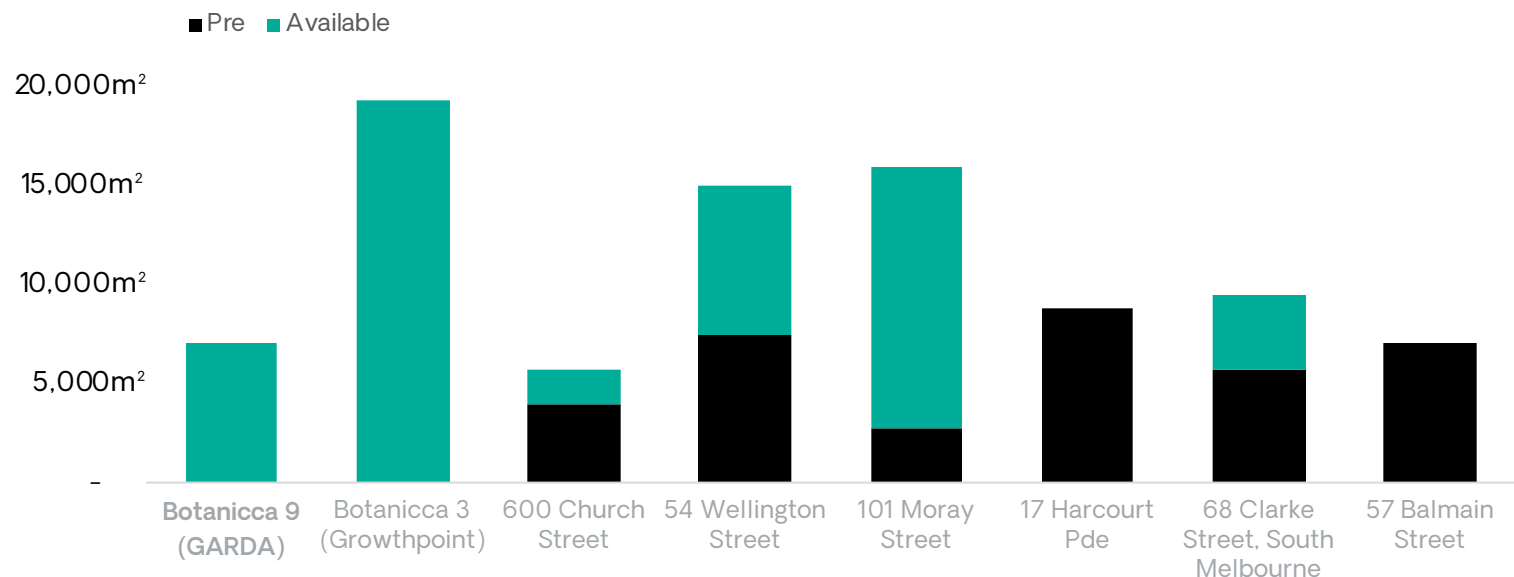




# Leasing

Melbourne City-Fringe Commercial / Botanicca 9

## Future Supply & Pre-Commitment



NLA <sup>m²</sup>	7,109	19,300	5,674	15,063	16,000	8,800	9,503	7,000
Status	Completed	Construction	Construction	Construction	Construction	Construction	Construction	Construction
Tenant	Nil	Nil	Domain	Aesop	Ooh! Media	MYOB	Luxury Escapes	Reece

Source – JLL market data

**GARDA**





# Guidance



# FY2020 Guidance

## Operational Focus

- Advance immediate construction project pipeline of:
  - Berrinba;
  - Wacol (Building C); and
  - Acacia Ridge (stage 1),delivering an increase in assets of approximately **\$29 million**.
- Botanicca 9 leasing which is expected to deliver approximately **\$4.0 million** in net annual income.

## Distributions

- FY20 distribution guidance reaffirmed at **\$0.09 per security**.
- Distributions of **\$0.0225 per security** will be paid quarterly.
- Expected tax advantaged income of approximately **73%**.
- At current ASX trading price of **\$1.415 per security**, reflects a distribution yield of **6.4%**.
- Full year payout ratio of approximately **110%<sup>1</sup>** of earnings if Botanicca 9 remains unleased for the full year.
- Payout ratio is expected to normalise following the successful leasing of Botanicca 9.

1. Previous payout ratio guidance included three months (\$1.05 million) of net property income from Botanicca 9, delivering 8.6 cents per security of FFO.





# Financial Information

# Balance Sheet

		31 December 2019 \$000	30 June 2019 \$000
<b>Assets</b>			
Cash and cash equivalents	A	12,155	20,213
Trade and other receivables		6,237	1,441
<b>Total current assets</b>		<b>18,392</b>	<b>21,654</b>
Other assets		-	1,874
Investment properties	B	407,577	332,806
Property, plant and equipment		45	-
Goodwill	C	33,586	-
Total non-current assets		441,208	334,860
<b>Total assets</b>		<b>459,600</b>	<b>356,334</b>
<b>Liabilities</b>			
Trade and other payables		3,311	4,236
Distribution/dividend payable		1,548	3,565
Borrowings	D	164,679	15,417
Current tax liability	E	529	-
Total current liabilities		170,067	23,218
Tenant security deposits		363	323
Borrowings		12,263	112,872
Derivative financial instrument		2,504	2,825
Provisions		35	-
Deferred tax liability		160	-
Total non-current liabilities		15,325	116,020
<b>Total liabilities</b>		<b>185,392</b>	<b>139,238</b>
<b>NET ASSETS</b>		<b>274,208</b>	<b>217,096</b>

- A – Cash includes \$5.0 million acquired as part of the internalisation of GCM and \$2.0 million in rental guarantees associated with the Acacia Ridge property acquisitions.
- A – The prior comparative period included \$15.7 million in net sale proceeds from an asset sale which was subsequently used to reduced debt after balance date.
- B – Investment properties increased by \$74.8 million due to the acquisitions of the Acacia Ridge portfolio (\$31.0 million), Morningside (\$41.0 million) and capital expenditure deployed during the period.
- C – \$33.6 million goodwill on acquisition occurred as part of the internalisation of GARDA's management function.
- D – Non-current borrowings of \$152.8 million were re-classified as current borrowings at 31 December 2019 as their term had reduced to less than 12 months. \$180.7 million has been refinanced post 31 December 2019 as will now be classified as non-current.
- D – Current borrowings includes a \$1.97m capital adequacy loan which is subject to an ASIC deed of subordination transitioned as part of the internalisation.
- D – Current borrowing includes a \$10.0 million loan associated with 21.9 million GARDA stapled securities held (Treasury Stock).
- E – Income tax liability which transitioned to GARDA as part of the internalisation.

1. 31 December 2019 position is post internalisation which was implemented on 29 November 2019.



# Income Statement

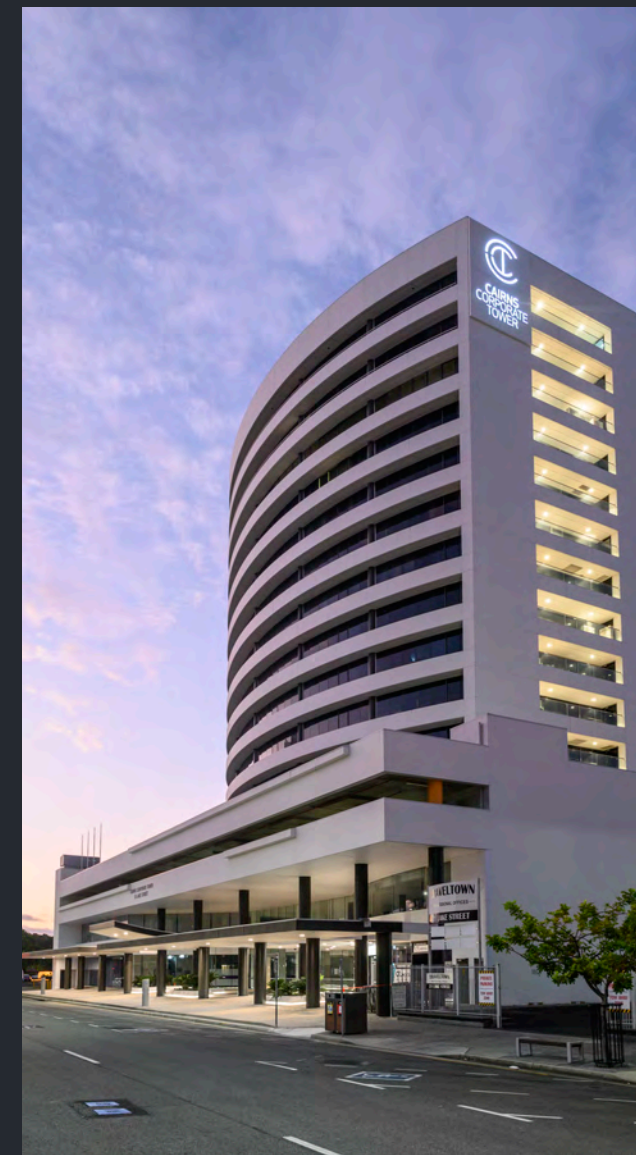
		31 December 2019 \$000's	31 December 2018 \$000's
Property revenue	A	13,938	12,353
Other income		659	8,082
Property expenses	A	(3,291)	(2,922)
Finance costs		(1,445)	(1,553)
Employee benefits expense		(197)	-
Corporate and trust administration expenses	B	(1,779)	(2,022)
Depreciation		(3)	-
Internalisation expenses	C	(1,197)	-
Security based payments expenses		(82)	-
Net gain / (loss) of financial liabilities held for fair value through profit and loss		323	(475)
Fair value movement in investment properties	D	(6,769)	(593)
<b>Profit before income tax</b>		<b>157</b>	<b>12,870</b>
Income tax benefit / (expenses)		(2)	-
<b>Profit after income tax</b>		<b>155</b>	<b>12,870</b>

- A – Both property revenue and expenses increased as a result of the acquisitions of the Acacia Ridge and Archerfield industrial portfolio in July 2019 and the acquisitions of the Morningside industrial assets in October 2019.
- B – Corporate and trust administration expenses decreased primarily as result of:
  - One-off substantial litigation expenses in relation to HTW in HY19; and
  - Dec 19 management fees eliminated as a result of consolidation post internalisation.
- C – one off costs associated with the internalisation of GDF's management function in November 2019.
- D – Fair value movement in investment properties relates to increase in independent valuations of \$3.3 million offset by acquisition costs for properties of \$4.6 million and value accretive additions and other property costs of \$5.5 million.

# Funds from Operations

The following table provides a reconciliation of statutory profit and FFO:

		31 December 2019 \$000	31 December 2018 \$000
FFO	\$000	7,697	6,451
Fair value movement in investment properties:			
Increase in independent valuations	3,310	-	-
Acquisition costs	(4,560)	-	-
Capital additions and capitalised costs	(5,139)	-	-
Other	(380)	(6,769)	(593)
Fair value movement of derivative financial instrument		323	(475)
Incentives amortisation and rent straight-line		184	153
Non-underlying and non-recurring revenue		-	8,000
Non-underlying and non-recurring expenses		(1,280)	(666)
<b>Net profit for the half year attributable to securityholders</b>		<b>155</b>	<b>12,870</b>
FFO per security (cents)		4.35	4.40
Distribution paid and payable		7,988	6,680
Distribution payout ratio		103.8%	103.5%





GARDA