



GARDA

— GARDA PROPERTY GROUP (ASX: GDF)

Full Year Results Presentation

20 August 2020

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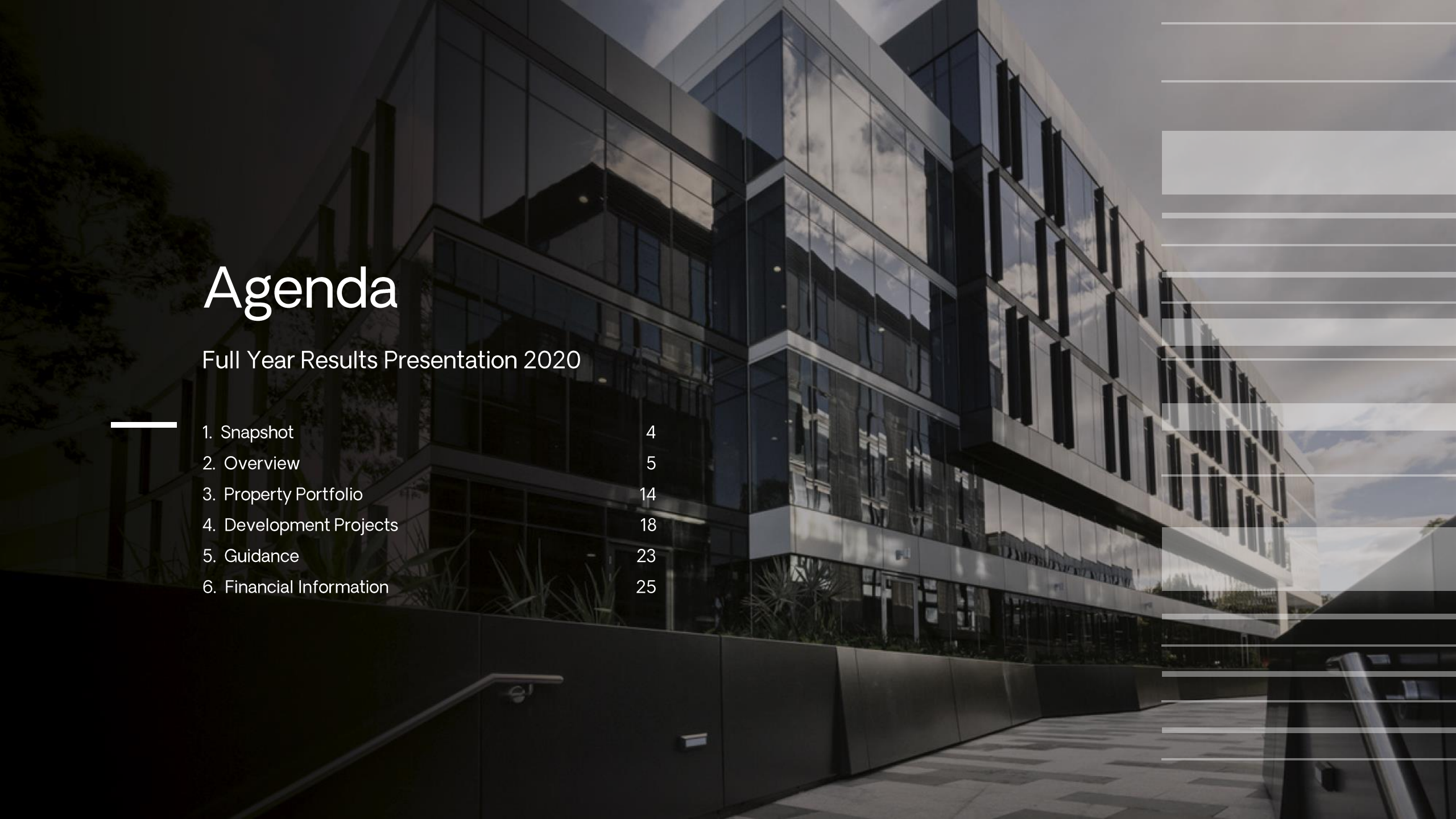
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A modern glass skyscraper with multiple floors, reflecting the sky and clouds. The building is viewed from a low angle, making it appear tall and imposing. The glass panels are dark, and the reflections are clear. The sky is overcast with grey clouds. In the foreground, there is a dark, possibly metallic, railing or wall, and some greenery is visible at the base of the building.

Agenda

Full Year Results Presentation 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.

7.1%

Forecast FY21 Distribution Yield¹

95%–100%

Forecast FY21 Payout Ratio

\$417m

Portfolio Value

6.60%

Portfolio Cap Rate

\$281m

Net Assets

\$231m

Market Capitalisation²

5.9
years

Portfolio WALE

80%³
occupancy

94% excl. Botanicca 9

1. Based on the GARDA FY21 forecast distributions per security, divided by the GARDA ASX price of \$1.015 as at close on 19 August 2020.

2. Based on approximately 227.6 million stapled securities, multiplied by the GARDA ASX price of \$1.015.

3. Established Property Portfolio (excludes project pipeline assets). Occupancy (by income) as at 1 July 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 69 Peterkin Street, Acacia Ridge



41 Bivouac Place, Wacol



Overview

Highlights

Key outcomes

Portfolio and project leasing

- **15,125m²** of project leasing has occurred across Berrinba, Wacol (building C) and Acacia Ridge (stage 1) industrial development for lease terms of **5, 10 and 7 years** respectively.
- The Queensland state government has agreed to new leasing terms including a 10 year lease for **3,456m²**, representing approximately **24%** of the Cairns NLA and increasing the Cairns WALE to **4.8 years**.
- The Portfolio WALE (excluding developments) is **5.9 years** (5.3 years in June 2019).

\$200 million debt restructure

- Existing debt facilities held with incumbent lenders (St. George Bank and ANZ Banking Group) were restructured into a syndicated facility agreement (SFA). Financial Close occurred on 4 March 2020.
- The restructure included an increase in limit from **\$180.7 million** to **\$200.0 million** and an extension of term to February 2023.
- Separately, **\$10.0 million** of borrowings were repaid through a combination of cash repayment (\$1.0 million) and equity transfer (\$9.0 million) at a security price of **\$1.35**.

Limited COVID-19 Impacts

- The GARDA portfolio has remained resilient throughout COVID-19 with only **\$6.5k** forgiven.
- Approximately **\$0.4 million** in rent deferrals have been provided of which **\$0.3 million** remains outstanding and due to be repaid over the remainder of CY20.
- 8.55 cents per security in distributions have been paid at a payout ratio of **105%** of which **85%** was tax advantaged.
- Independent valuations across five commercial and industrial assets resulted in an increase of **\$0.8 million** on the prior December 2019 independent valuations.

Interest rate hedging

- GARDA cash settled the exit from an existing **\$60.0 million, 2.68%**, July 2022 expiry interest rate swap on 26 February 2020.
- GARDA then entered into interest rate swaps on 4 March 2020 totalling **\$100.0 million**, including **\$70.0 million** at a rate of 81bps (term of 7 years) and **\$30 million** at a rate of 98bps (term of 10 years).
- GARDA's all in cost of debt is approximately **2.4%**.

Funds From Operations (FFO)¹

	\$000	30 June 2020 \$000	30 June 2019 \$000
FFO		16,622	13,192
Fair value movement in investment properties:			
Increase in independent valuations	4,110		17,100
Acquisition costs (<i>stamps etc</i>)	(4,494)		(786)
Capital additions and capitalised costs	(5,614)		(6,380)
Other	(998)	(6,996)	(940)
Fair value movement of derivative financial instrument		(1,425)	(1,951)
Gain on sale of investment properties		-	1,550
Lease cost and incentives amortisation		(864)	(981)
Rent free income		222	279
Straight-lining of rental income		1,372	1,077
Depreciation – Property, plant and equipment		(22)	-
Movements in right to use assets and lease liabilities		36	-
Capitalisation of interest of development properties		(724)	-
Non-underlying and non-recurring revenue		-	8,000
Non-underlying and non-recurring expenses		(1,712)	(1,380)
Distributions on treasury stock and unvested GARDA ESP securities		(942)	-
Profit after tax for the year		5,567	28,780
Income tax benefit		(93)	-
Profit before income tax		5,474	28,780
Distributions paid		17,372	13,810
Distribution payout ratio – FFO		104.5%	104.7%
Tax advantaged income component		85.2%	76.6%

1. FFO has been adjusted to present on a fully diluted basis and adds back the distributions paid and received for treasury stock and employee share plan (ESP).

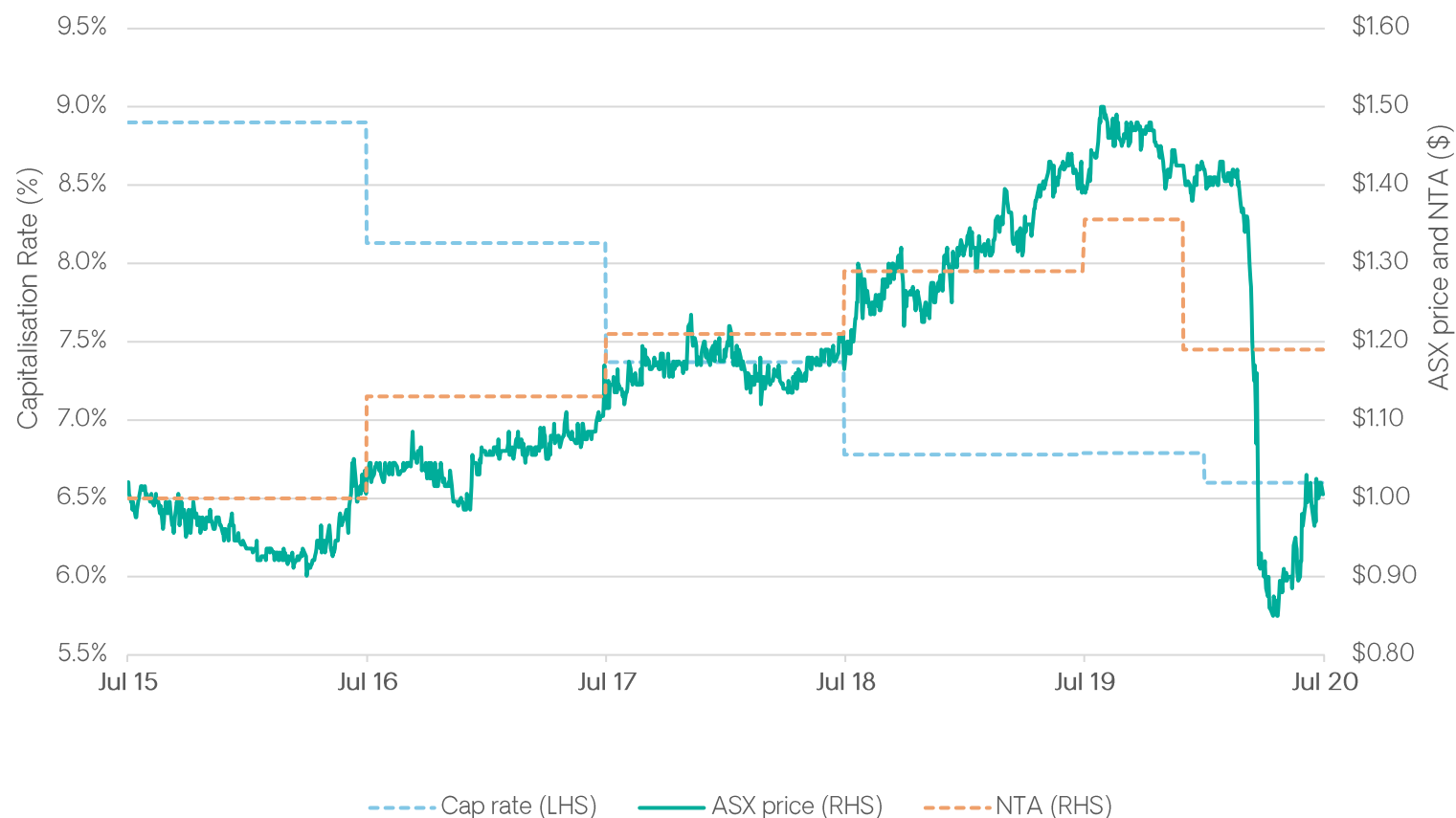


Botanica 9, Richmond

- GARDA has produced steady and positive year on year NTA growth since its IPO in 2015 to the internalisation in November 2019.
- NTA reduced in December 2019 to **\$1.18** per security as a result of the goodwill arising on the internalisation of GARDA's external management function.
- NTA appreciation is attributed to the constantly improving property portfolio through the acquisition and development of better quality and longer WALE assets.
- This is reflected in the steady compression of the portfolio weighted average capitalisation rate by **231** basis points to **6.60%**.
- NAV post internalisation remained at **\$1.35** per security.
- 30 June 2020 independent portfolio valuations indicate there were **no significant negative movements** in asset capitalisation rates and values.
- At current ASX pricing, GARDA is trading at a **14.4%** discount to NTA and a **24.6%** discount to NAV.

GARDA Performance

ASX price, NTA and capitalisation rate¹



1. GARDA internalised its management function in November 2019.

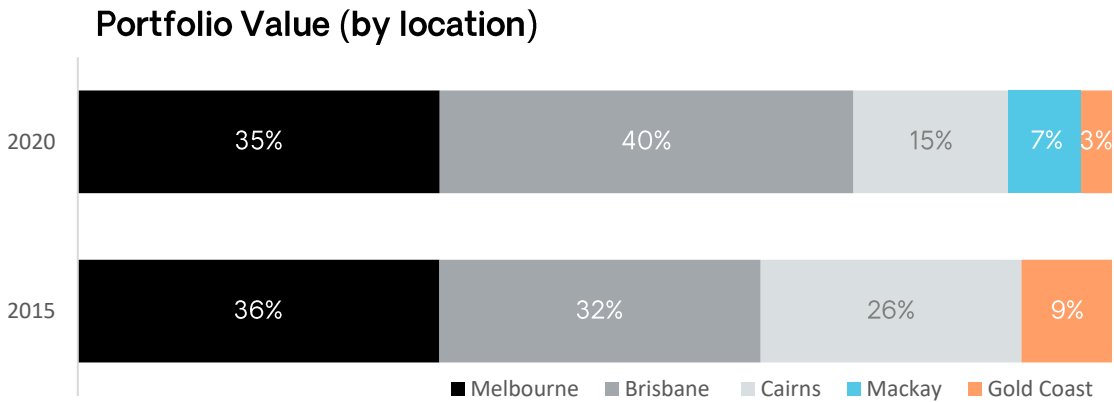
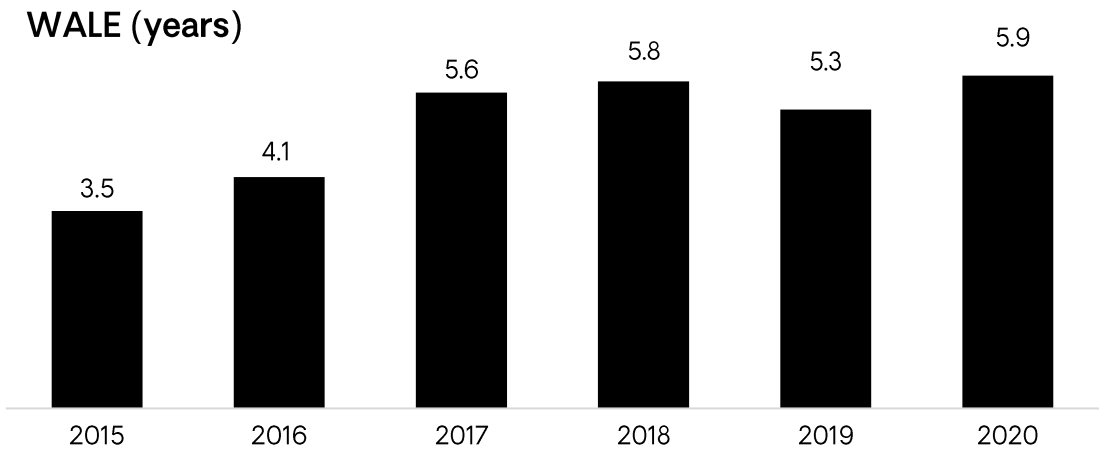
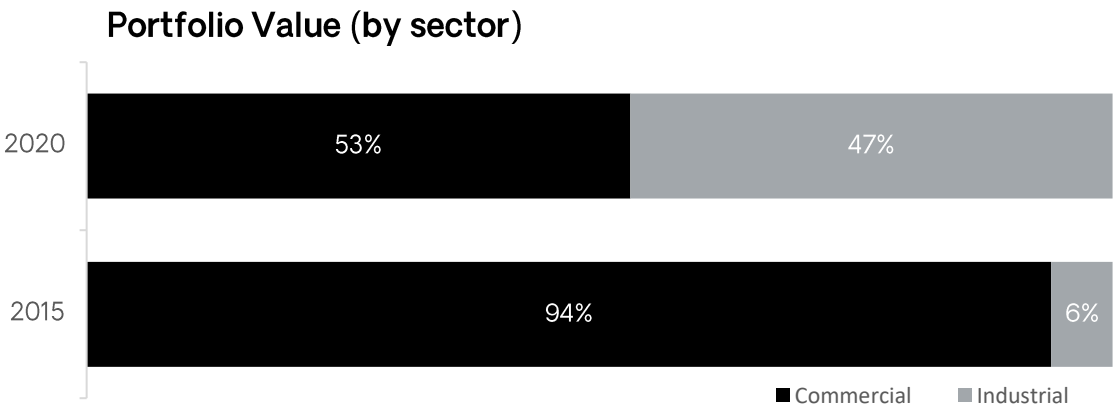
Property Portfolio

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 five years and the quality of tenant.

Diversification – GARDA has materially increased it's industrial exposure which now represents 47% of the Portfolio.



Capital Management

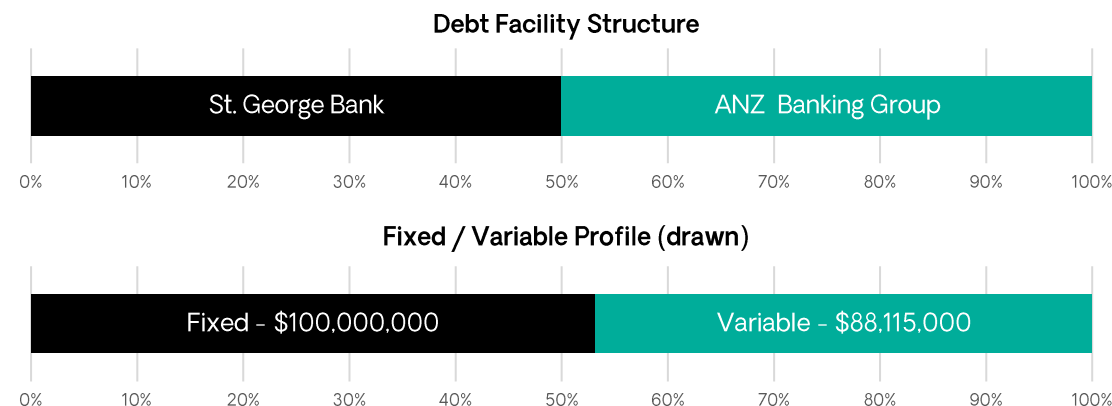
Debt and equity

- Existing debt facilities held with incumbent lenders (St. George Bank and ANZ Banking Group) were restructured into a syndicated facility agreement (SFA). Financial close occurred on 4 March 2020.
- The restructure included an increase in limit from **\$180.7 million** to **\$200.0 million** and an extension of term to February 2023.
- Separately, **\$10.0 million** of borrowings were repaid through a combination of cash repayment (**\$1.0 million**) and equity transfer (**\$9.0 million**) at a security price of \$1.35.
- An existing **\$60.0 million, 2.68%**, July 2022 expiry interest rate swap was cash settled on 26 February 2020.
- New interest rate swaps were entered into on 4 March 2020 totalling **\$100.0 million**, including **\$70.0 million** at a rate of 81bps (7 years) and **\$30.0 million** at a rate of 98bps (10 years).
- GARDA's fully drawn all-in cost of debt is approximately **2.4%**.
- Current Gearing¹ is **36.7%**.
- Liquidity² at 30 June 2020 was **\$32.3 million**.

1. Calculated as: (total bank debt less cash) divided by (total assets less cash).

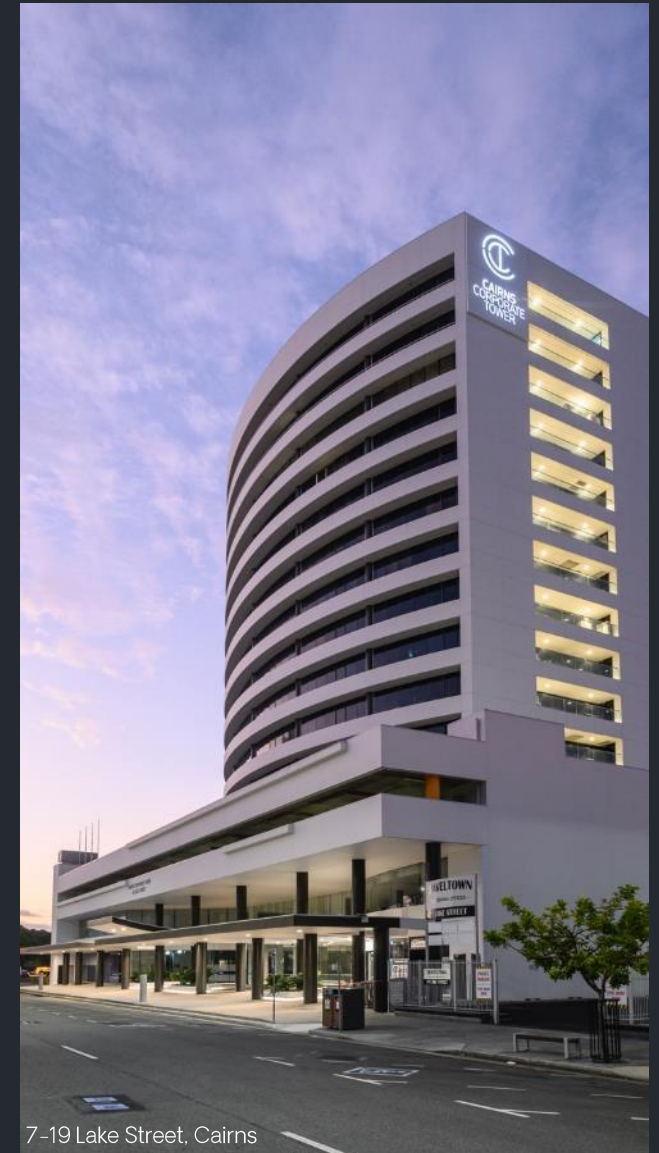
2. Defined as cash and non cash equivalents (including capital adequacy requirements) at 30 June 2020 plus available debt headroom.

Key Debt Metrics – 30 June 2020	Post-Restructure
Total debt facilities	\$200 million
Drawn Debt	\$188.1 million
Undrawn debt	\$11.9 million
Cash	\$16.4 million
Weighted average cost of debt (fully drawn)	~ 2.4%
Debt term	2.7 years
Hedged debt	\$100 million
Weighted average hedge duration	7.58 years
Gearing	36.7%



COVID-19 Update

- The GARDA Portfolio has remained resilient throughout COVID-19 with only **\$6.5k in rent** forgiven.
- Approximately **\$0.4 million** in rent deferrals were provided of which **\$0.3 million** remains outstanding and due to be repaid over the remainder of CY20.
- 8.55 cents per security in distributions were paid during the year at a payout ratio of **105%** of which **85%** was tax advantaged.
- Independent valuations across five commercial and industrial assets resulted in an increase of **\$0.8 million** over the December 2019 independent valuations.



7-19 Lake Street, Cairns

5.9
Years

Portfolio WALE

15,125m²

Development
Leasing

4.8
Years

Cairns WALE

Leasing

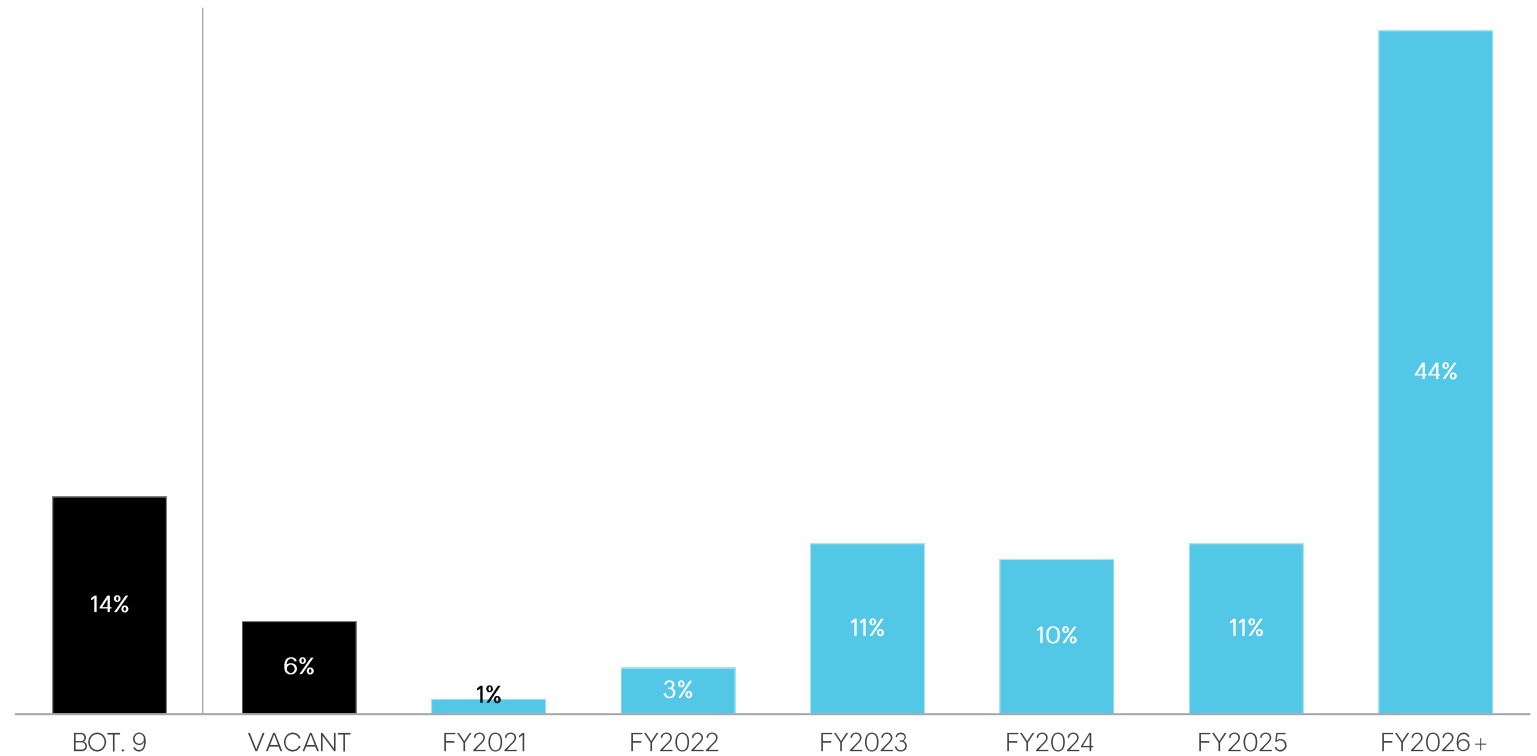
Significant leasing activity in established properties and projects.

- The Queensland Government, represented by the Department of Transport and Main Roads (DTMR), has been a tenant in Cairns Corporate Tower since 2002 and recently confirmed a new 10 year lease, across 3,456m², representing 24% of Cairns NLA.
 - Lease terms are effective from 1 December 2018, being when the current lease option was exercised.
 - Cairns WALE has increased from 2.6 years to 4.8 years as at 30 June 2020.
 - A further 1,123m² of Queensland Government leases in Cairns are due for expiry in November 2021 and are under negotiation.
- Three top 10 tenants including Planet Innovation (7 years for 5,729m²), Komatsu (3 years for 11,475m²) and the Queensland Government (10 years for 3,456m²) were extended during FY20 which contributed to the increase in WALE to 5.9 years from 5.3 years at 30 June 2019.
- Positive outcomes achieved at all three active development projects with 15,125m² of NLA committed during the half year.
 - Berrinba - USG Boral committed to a 5 year lease for approximately half of the building (2,925m²) to begin in November 2020.
 - Wacol - YHI Corporation (WheelDemon) has committed to a 10 years lease for all of building C (6,000m²) to begin upon completion.
 - Acacia Ridge - Austrans, an existing tenant at 38 Peterkin Street, has committed to a 7 year lease for approximately half (6,200m²) of Stage 1, to begin upon completion. This lease is subject to all development and building approvals.

At Risk Income

Lease expiry profile^{1,2}

- Botanicca 9 (7,109m²) represents 14% current vacancy and remains the focus of GARDA's leasing program.
- When fully leased Botanicca 9 is expected to deliver approximately \$4.7 million in annual gross revenue prior to incentives.
- Portfolio vacancy increased to 6% following tenant departures at Varsity Lakes (QPS) and Lytton (Visy).
- 3% FY22 expiry includes:
 - Qld government (Cairns) – 1,123m²
 - Freight & Logistics (Archerfield) – 2,769m²



1. At risk income assessed as % portfolio gross income

2. Excludes development assets located at 56 and 69 Peterkin Street, Acacia Ridge.



Property Portfolio

Property Portfolio

Integrated, commercial and industrial property platform



Cairns

Cairns, 7-19 Lake Street **(\$60.56m)**

Mackay

Mackay, 69-79 Diesel Drive **(\$30.10m)**

Brisbane

Acacia Ridge, 38 Peterkin Street **(\$6.00m)**

Acacia Ridge, 56 Peterkin Street **(\$6.81m)**

Acacia Ridge, 69 Peterkin Street **(\$11.08m)**

Archerfield, 839 Beaudesert Road **(\$6.00m)**

Berrinba, 1-9 Kellar Street **(\$7.35m)**

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

Lytton, 142-150 Benjamin Place **(\$8.73m)**

Morningside, 326 & 340 Thynne Road **(\$41.63m)**

Pinkenba, 70-82 Main Beach Road **(\$20.50m)**

Wacol, 41 Bivouac Place **(\$39.00m)**

Wacol, 498 Progress Road **(\$9.22m)**

Gold Coast

Varsity Lakes, 154 Varsity Parade **(\$12.00m)**

Melbourne

Box Hill, 436 Elgar Road **(\$33.25m)**

Richmond, 572-576 Swan Street **(\$53.69m)**

Richmond, 588A Swan Street **(\$59.04m)**

Property Portfolio

GARDA Property Group



Classification	Property Portfolio	Sector	Valuation (\$m)	Type	Cap Rate (%)	NLA (m ²)	WALE	Occupancy	NABERS
Established Assets	Acacia Ridge, 38 Peterkin Street	Industrial	6.00	D	7.50%	4,465	0.8	100%	N/A
	Archerfield, 839 Beaudesert Rd	Industrial	6.00	D	7.50%	4,524	1.0	92%	N/A
	Box Hill, 436 Elgar Road	Office	33.25	I	6.00%	5,728	7.4	100%	3.0
	Cairns, 7-19 Lake Street	Office	60.56	D	8.25%	14,683	4.8	88%	5.0
	Heathwood, 67 Noosa Street	Industrial	11.25	D	6.75%	6,022	7.7	100%	N/A
	Lytton, 142-150 Benjamin Place	Industrial	8.73	I	7.25%	5,677	2.5	42%	N/A
	Mackay, 69-79 Diesel Drive	Industrial	30.10	D	7.50%	13,843	8.5	100%	N/A
	Morningside, 326 & 340 Thynne Road	Industrial	41.63	I	5.75%	16,797	4.6	100%	N/A
	Pinkenba, 70-82 Main Beach Road	Industrial	20.50	I	6.75%	40,490	13.1	100%	N/A
	Richmond, 572-576 Swan Street	Office	53.69	D	5.75%	6,587	3.4	100%	5.0
	Richmond, 588A Swan Street	Office	59.04	D	5.75%	7,109	-	0%	N/A
	Varsity Lakes, 154 Varsity Parade	Office	12.00	I	8.50%	3,994	2.9	60%	6.00
	Wacol, 41 Bivouac Place	Industrial	39.00	D	5.75%	9,994	8.0	100%	N/A
Projects	Acacia Ridge, 56 Peterkin Street	Industrial	6.81	D	7.25%	4,794	-	-	N/A
	Acacia Ridge, 69 Peterkin Street	Industrial	11.08	D	7.25%	7,412	-	-	N/A
	Berrinba, 1-9 Kellar St	Industrial	7.35	D	N/A	N/A	-	-	N/A
	Wacol, 498 Progress Road	Industrial	9.22	D	N/A	N/A	-	-	N/A
			416.21		6.60%	152,119	5.9	80%	

Directors' valuation is defined as the 31 December 2019 independent valuation plus value accretive additions.

D = Directors'

I = Independent

Property Portfolio

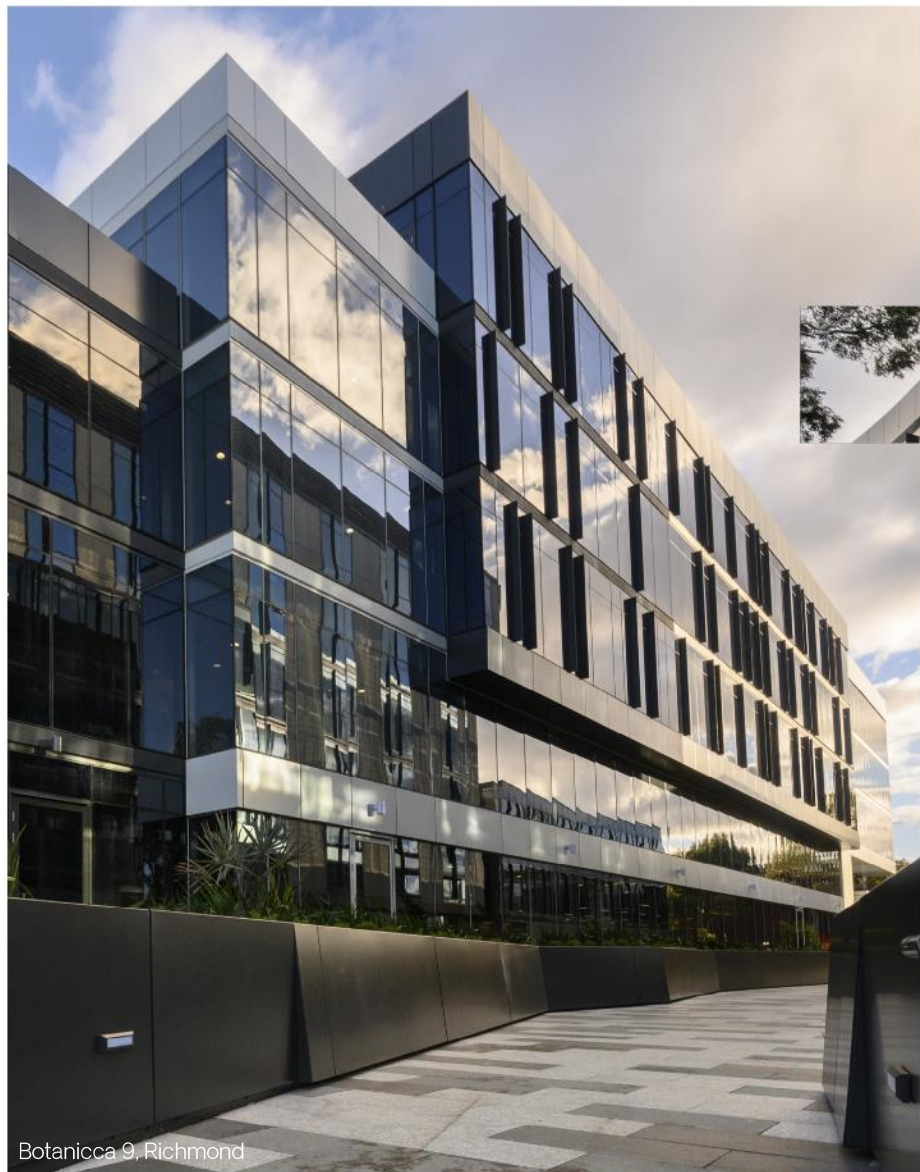


Top 10 tenants

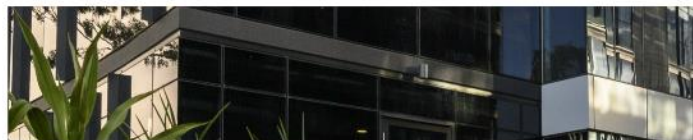
Tenant	Property	Industry	% of Portfolio Gross Income	Expiry
J Blackwood & Son	Mackay	Industrials	10.9% ²	Nov-27
Planet Innovation ¹	Box Hill	Science & Tech	10.6% ²	Jan-29
Volvo Group	Wacol	Auto	10.0% ²	Jul-28
Qld Gov (DTMR)	Cairns	Government	7.2%	Nov-21 & Nov-28
Golder Associates	Richmond	Professional Services	7.1%	Jan-25
Komatsu	Morningside	Industrials	7.3%	Jul-23
Byrne Group	Pinkenba	Industrials	6.1%	Aug-33
Fulton Hogan	Richmond	Industrials	4.0%	Jun-22
McLardy McShane	Richmond	Professional Services	3.8%	Jan-23
James Engineering	Heathwood	Industrials	3.5%	Mar-28

1. Annualised gross income, commencing 1 December 2020.

2. A fully leased Botanicca 9 building reduces J Blackwood & Son to 9.3%, Planet Innovation to 9.1% and Volvo Group to 8.5% of gross portfolio income.



Botanica 9, Richmond



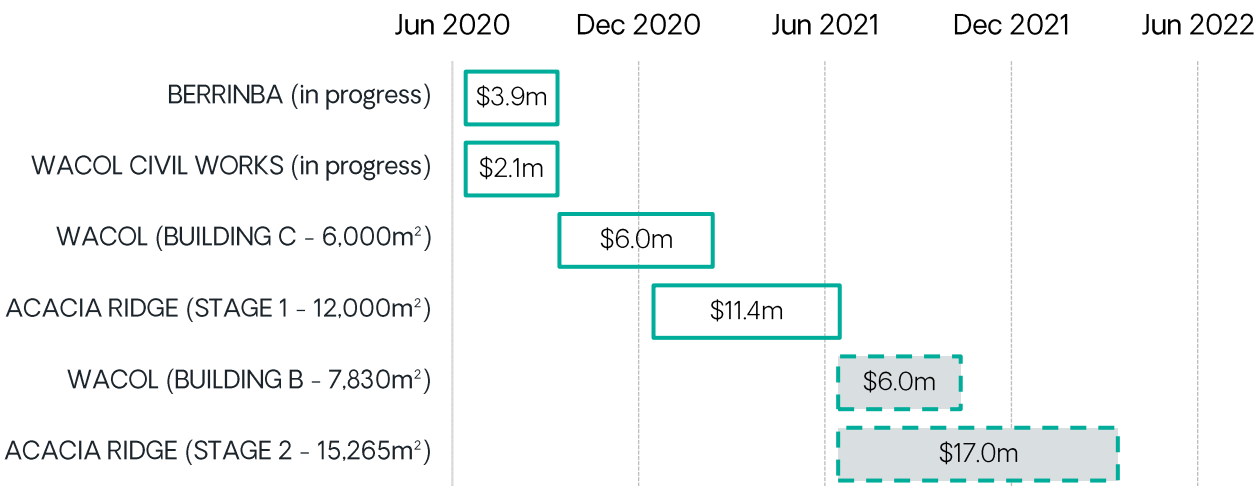
Development Projects

Project Pipeline

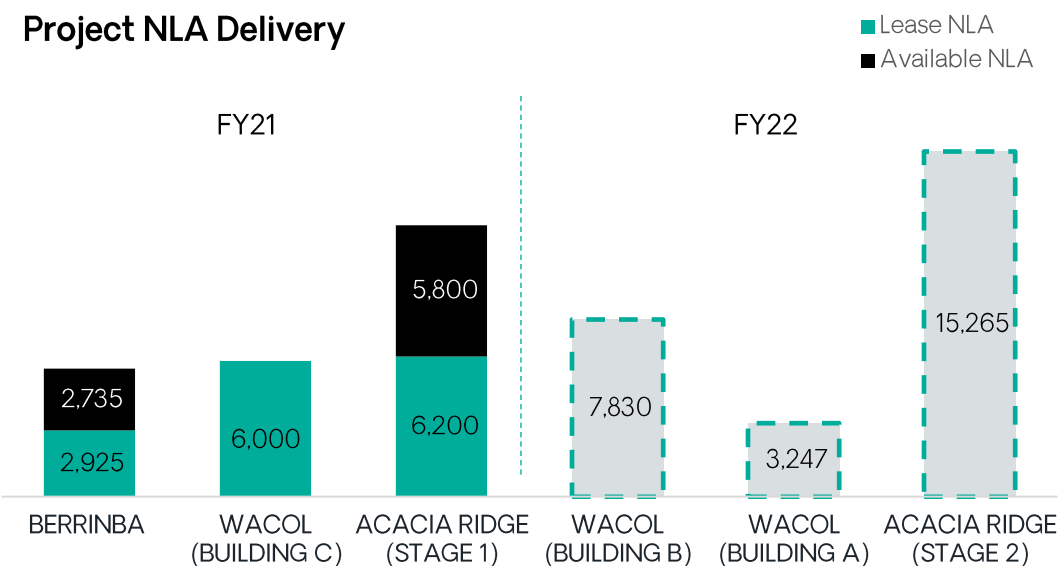
Brisbane Industrial

- Project pipeline totals approximately **50,000m²** of built form Brisbane industrial NLA.
- Projects totalling **23,660m²** of NLA are anticipated to be completed during FY21. These include Berrinba (Sept-20), the first of three buildings at Wacol (Jan-21) and stage one of Acacia Ridge (Jun-21).
- The remaining committed capital for these works totals approximately **\$23.4 million** including the costs of bulk earthworks and services at Wacol.
- Strong leasing outcomes with approximately half of Berrinba and Acacia Ridge (stage 1) NLA committed and all of Wacol (building C) NLA.

Forecast Pipeline CAPEX Deployment



Project NLA Delivery



Project Pipeline

Berrinba Industrial Development

- 1-9 Kellar 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 is well advanced with construction with completion expected in **September 2020**.
- The facility will provide approximately **5,660m²** of warehouse and office accommodation and has been divided to accommodate two tenancies.
- USG Boral has committed to a five year lease for approximately half of the building (**2,925m²**) to begin in November 2020.



Project Pipeline

Wacol Industrial Development

- 'Pinnacle on Progress' will provide approximately **17,077m²** of prime space over three separate buildings, specifically targeting tenants seeking **3,000m²** to **8,000m²** of space.
- Development is programmed to occur in three stages, the first delivering approximately **6,000m²** across building C, **7,830m²** in building B and finally, approximately **3,247m²** in building A fronting Progress Road.
- Bulk earth and civil works began in early 2020 and are expected to be completed by September 2020.
- Construction on building C is expected to commence in September 2020 for completion in the **first half of 2021**.
- YHI Corporation (WheelDemon) has committed to a 10 year lease for all of building C (**6,000m²**) to begin upon completion of construction.
- GARDA will deploy **\$8.1 million** for remaining civil works and building C construction during FY21.



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 **61,400m²** of land, allowing for approximately **27,265m²** of new warehouses to be developed in two buildings designed for multiple tenants.
- Development will occur in two stages, the first delivering approximately **12,000m²** on the 69 Peterkin Street site and the second approximately **15,256m²** across 38 and 56 Peterkin Street.
- Stage 1 construction on 69 Peterkin Street is due to commence in January 2021 at a cost of approximately **\$11.4 million**.
- Austrans, an existing tenant at 38 Peterkin Street, has committed to a 7 year lease for approximately half (**6,200m²**) of Stage 1, to begin upon completion.
- 38 and 56 Peterkin St will then be developed as Stage 2.





Botanicus 9, Richmond



Guidance

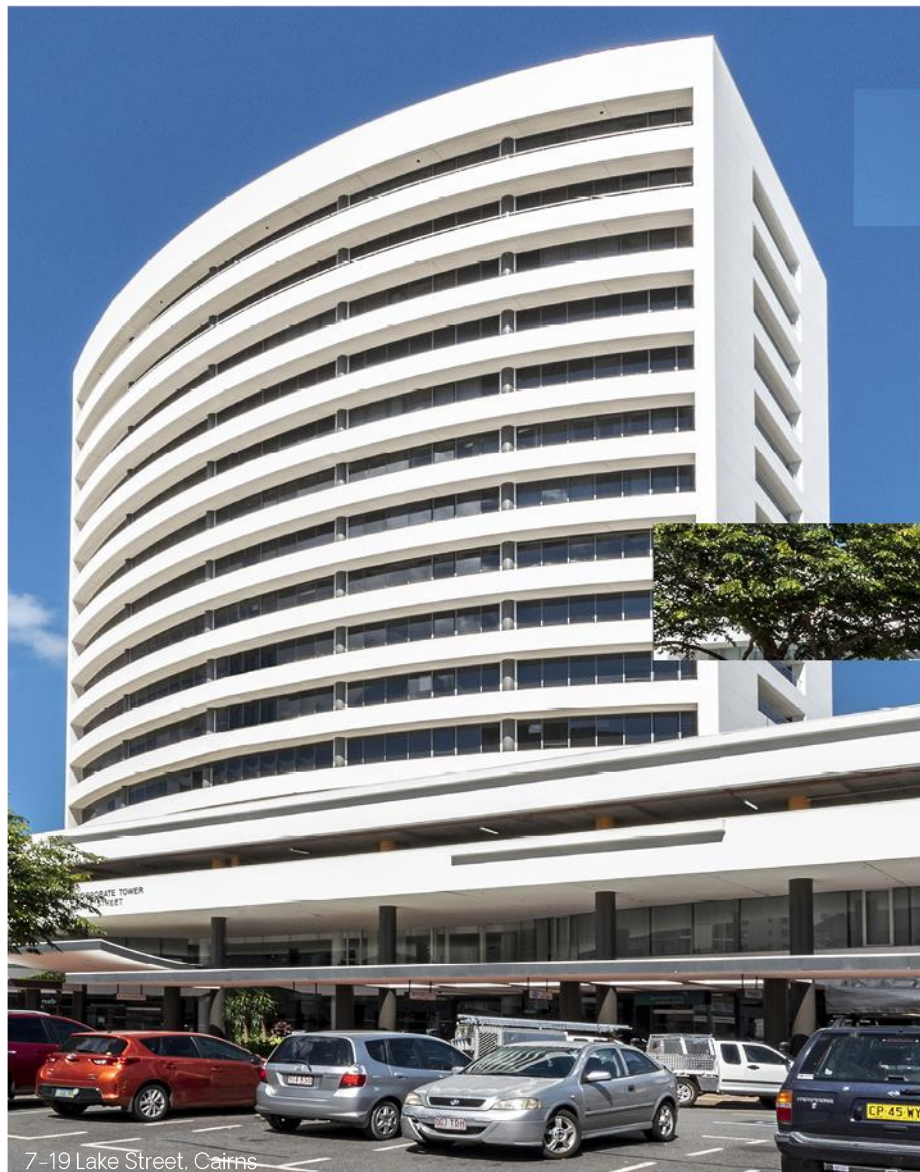
Guidance

Distributions

- FY21 distribution guidance of **\$0.072** per security.
- Distributions of **\$0.018** per security are expected to be paid quarterly.
- Expected tax advantaged income of approximately **73%**.
- At current ASX trading price of \$1.015 per security, reflects a distribution yield of **7.1%**.
- Full year payout ratio of between 95% and 100% of earnings if Botanicca 9 remains unleased for the full year¹.

1. Botanicca 9 when fully leased is expected to provide \$4.7 million in gross revenue, prior to incentive. This would have an approximate 23% positive impact to payout ratio.





Financial Information

Balance Sheet

Consolidated Statement of Financial Position		30 June 2020 \$000	30 June 2019 \$000
Assets			
Cash and cash equivalents	(A)	20,488	20,213
Trade and other receivables	(B)	5,291	1,441
Total current assets		25,779	21,654
Investment properties	(C)	417,447	332,806
Deposits on investment properties		-	1,874
Property, plant and equipment		54	-
Right-of-use assets		403	-
Intangible assets	(D)	33,586	-
Total non-current assets		451,490	334,680
Total assets		477,269	356,334
Liabilities			
Trade and other payables		3,944	4,236
Distribution/dividend payable		3,763	3,565
Borrowings	(E)	-	15,417
Lease liabilities		115	-
Current tax liability		2	-
Total current liabilities		7,824	23,218
Tenant security deposits		350	323
Borrowings	(E)	186,653	112,872
Derivative financial instrument		1,536	2,825
Provisions		48	-
Lease liabilities		252	-
Deferred tax liability	(F)	49	-
Total non-current liabilities		188,887	116,020
Total liabilities		196,712	139,238
NET ASSETS		280,558	217,096

- (A) Cash includes **\$5.0 million** acquired as part of the internalisation, and **\$2.0 million** in rental guarantees associated with the Acacia Ridge property acquisitions.
- (B) Trade and other receivables includes **\$3.3 million** in loans to external third parties, **\$0.8m** in rent receivable, **\$0.7 million** in prepayments and **\$0.4 million** in litigation proceed receivables.
- (C) Investment properties increased by **\$84.6 million** due to the acquisitions of the Acacia Ridge portfolio (**\$31.0 million**), Morningside (**\$41.0 million**) and capital expenditure deployed into both established assets and project assets during the period.
- (D) **\$33.6 million** goodwill on acquisition arose as part of the internalisation.
- (E) All current borrowings were re-classified as non-current borrowings following the refinancing of GARDA's existing facilities into a common terms agreement in March 2020.
- (E) A **\$57.8 million** increase in total borrowings due to the:
- Acquisition of Acacia Ridge and Archerfield (**\$27 million**);
 - Acquisition of Morningside (**\$12.5 million**);
 - Portfolio CAPEX (**\$4.9 million**);
 - Project construction (**\$6.5m**); and
 - General working liquidity.
- (F) Income tax liability which transitioned to GARDA as part of the internalisation.

Income Statement

Consolidated Statement of Profit and Loss		30 June 2020 \$000	30 June 2019 \$000
Property revenue	(A)	29,116	25,361
Other income	(B)	1,172	8,101
Property expenses	(C)	(6,368)	(5,940)
Finance costs		(3,801)	(2,934)
Employee benefits expense	(D)	(1,520)	-
Corporate and trust administration expenses	(E)	(2,836)	(3,701)
Depreciation		(155)	-
Internalisation expenses		(1,269)	(700)
Security based payments expenses	(F)	(444)	-
Net gain / (loss) of financial liabilities held for fair value through profit and loss		(1,425)	(1,951)
Fair value movement in investment properties	(G)	(6,996)	8,994
Gain on sale of investment property		-	1,550
Profit before income tax		5,474	28,780
Income tax benefit / (expenses)		93	-
Profit after income tax		5,567	28,780

- (A) Property revenue increased by approximately **\$3.8 million** in FY20 which is attributable to the:
- acquisition of Morningside in October 2019 (**\$2.0 million**)
 - increased recovery income from tenants (**\$0.6 million**); and
 - corporate debt and lending revenue post internalisation (**\$0.5 million**).
- (B) FY20 includes **\$0.5m** in litigation proceeds and **\$0.7 million** in sundry income associated with leasing outcomes. FY19 included litigation proceeds of **\$8.0 million**.
- (C) Property expenses increased due to the acquisition of Morningside in October 2019.
- (D) Employee wages and other benefits post internalisation.
- (E) Corporate and trust administration expenses decreased primarily as a result of the internalisation
- (F) Non-cash expense associated with the GARDA employee securities plan.
- (G) Fair value movement in investment properties relates to increase in independent valuations of **\$4.1 million** offset by acquisition costs for properties of **\$4.5 million** and value accretive additions and other property costs of **\$6.1 million**.

Funds From Operations (FFO)¹

	\$000	30 June 2020 \$000	30 June 2019 \$000
FFO		16,622	13,192
Fair value movement in investment properties:			
Increase in independent valuations	4,110		17,100
Acquisition costs (<i>stamps etc</i>)	(4,494)		(786)
Capital additions and capitalised costs	(5,614)		(6,380)
Other	(998)	(6,996)	(940)
Fair value movement of derivative financial instrument		(1,425)	(1,951)
Gain on sale of investment properties		-	1,550
Lease cost and incentives amortisation		(864)	(981)
Rent free income		222	279
Straight-lining of rental income		1,372	1,077
Depreciation – Property, plant and equipment		(22)	-
Movements in right to use assets and lease liabilities		36	-
Capitalisation of interest of development properties		(724)	-
Non-underlying and non-recurring revenue		-	8,000
Non-underlying and non-recurring expenses		(1,712)	(1,380)
Distributions on treasury stock and unvested GARDA ESP securities		(942)	-
Profit after tax for the year		5,567	28,780
Income tax benefit		(93)	-
Profit before income tax		5,474	28,780
Distributions paid		17,372	13,810
Distribution payout ratio – FFO		104.5%	104.7%
Tax advantaged income component		85.2%	76.6%

1. FFO has been adjusted to present on a fully diluted basis and adds back the distributions paid and received for treasury stock and employee share plan (ESP).



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GARDA