

### Table of Contents



1	Snapshot and key highlights	3
2	Platform overview	6
3	Financials	12
4	Outlook	16



### Snapshot of HY24 - value proposition



"360 Capital Group is an ASX-listed, investment and funds management group, focused on strategic and active investment management of real estate assets"

\$4.7m

Operating profit after tax (down 19.1% from \$5.9 million profit on pcp)

**2.0cps** 

HY24 fully franked dividend (HY23: 2.25cps, excluding special dividend)

\$83.0m

14.8% strategic stake in Hotel Property Investments (ASX:HPI) via Strategic Real Estate Partnership \$34.9m

Cash balance, equivalent to \$0.16 per security, ungeared with \$124.1 million of ASX listed investments

\$0.74

NAV per security, down from \$0.78 per security in June 2023 due devaluation of co-investments

8.8m

Securities brought back representing 4.0% of the issued securities (excl. ESP securities) at an average of \$0.537 being a 27.4% discount to 31 Dec 23 NAV

(20.9%)

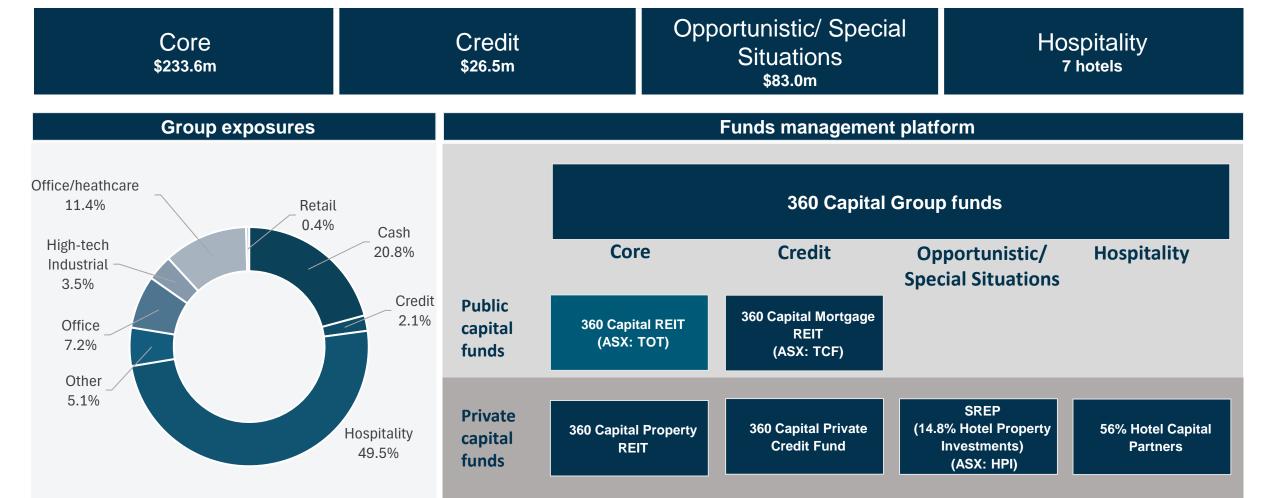
Trading price discount to NAV per security (based on ASX closing security price on 29 December 2023 vs NAV of \$0.74 per security)

### Simple Strategy

- Core real estate
- Real estate credit
- Opportunistic real estate
- Hospitality

### 360 Capital's platform







### Core – 360 Capital REIT (ASX:TOT)



Core portfolio of diversified modern assets provides TGP's with stable passive earnings from its co-investment enhanced with management fees

Portfolio occupancy 93.2%<sup>2</sup>

Forecast FY25 distribution yield 7.5%<sup>1</sup>

Weighted average lease expiry 7.0 years

Gross asset value \$233.6m

#### Diversified modern portfolio – positioned for growth



Office - 32.0%





Retail – 1.6%

#### **Key HY24 TOT statistics to TGP**

Value of group co-investment \$37.6m

HY24 distributions \$1.3m

Base management fees \$0.8m

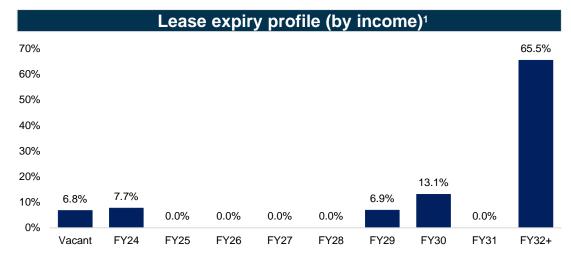
Acquisition fees

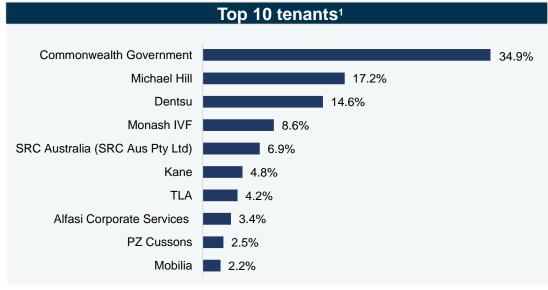
Group co-investment 29.1%

Based on Offer Price under the Entitlement Offer of \$0.40 announced on 14 February 2024 and forecast FY25 distribution of 3.0cps
 Weighted by gross income including car parking, rental guarantee and excluding outstanding incentives

#### Core – 360 Capital REIT (ASX:TOT)







#### **Up to \$46.8m Entitlement Offer announced**

#### **Rebased Distributions**

3.0cps

FY25 forecast distributions rebased to be in line with earnings per Security on a fully leased basis<sup>2</sup>

#### **Reduced Gearing**

22.0% - 35.1%

Net proceeds from the Entitlement Offer used to reduce debt.

Gearing reduces to 35.1% at 35% take-up and 22.0% at 100% take-up of the Entitlement Offer<sup>3</sup>

# Franking of Distributions 100%

Fund has a history of paying fully franked distributions and expects to continue to pay fully franked distributions in FY24 and FY25

#### **Entitlement Offer Price**

\$0.40

Per New Security, representing a 26.6% discount to the last ASX closing price on 13 February 2024

#### Offer Price Distribution Yield

7.5% p.a.

Offer Price of \$0.40 and forecast FY25 distribution of 3.0cps

<sup>1.</sup> Weighted by Gross Income including car parking, rental guarantees and excluding outstanding incentives

Based on the Entitlement Offer having a participation level of 60%

The take up or participation level under the Entitlement Offer is based on the percentage of the total number of Securities taken up under the Entitlement Offer

### Credit – 360 Capital Mortgage REIT (ASX:TCF) & 360 Capital Private Credit Fund

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Listed and unlisted funds with no legacy issues provides a base to scale TGP's real estate debt activities

FY24 forecast distribution
42.0cps
Up 7.7% on FY23

Forecast FY24 distribution yield 8.2%<sup>1</sup>

HY24 deals originated \$26.5m

Gross asset value \$25.0m

#### Australian CRE debt market size - ADIs



#### Market conditions driving non-bank sector

- Global banks retreating from Australia
- Australian banks reducing exposure to certain CRE exposures
- Interest rate environment makes CRE credit attractive investment
- Many existing non-bank lenders have redemptions, legacy issues and historic lower loan returns with higher risk loan books
- TCF one of only two ASX listed funds doing pure CRE credit

#### Target market



#### **HY24** key credit highlights

- Successful transitioned TCF from corporate credit investing to real estate credit investing and renamed to 360 Capital Mortgage REIT, becoming one of only two S&P GICS classified Mortgage REITs in Australia
- \$26.5m of real estate loans funded by TCF and Group in HY24
- Diversify TCF's loan book through partial loan sell down program to third party investors via PCF

Key HY24 TCF/PCF statistics to TGP

Value of group co-investment \$3.5m

HY24 distributions \$0.22m

Base management fees \$0.12m

Establishment fees \$0.71m

Group TCF co-investment 16.4%

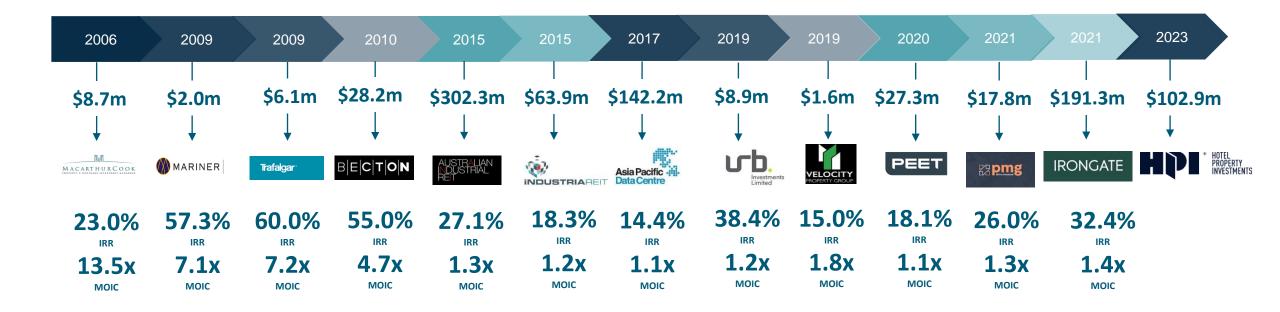
■ Risk

### Opportunistic – 360 Capital Strategic Real Estate Partners (SREP)

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Disruption in capital markets providing opportunity to capitalise on Group's active investing history

Total profit on Weighted average Total equity capital invested All transactions realised/takeover 12 transactions IRR on capital invested >\$900m \$1.18bn \$373m 26.6% IRR Weighted average MOIC on capital Total underlying assets in strategic Weighted average investment term % Investments in listed securities invested acquisitions 1.6 years 93% \$6.3bn 1.6x MOIC



#### Opportunistic- SREP – HPI Investment



Portfolio value \$1.265bn

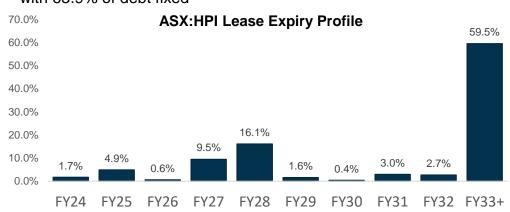
**Distribution Yield**  $6.27\%^{1}$ 

**Trading discount to NTA**  $27.7\%^{2}$ 

**Market capitalisation** \$560m



- Only pure-play pub portfolio on ASX
- 39 properties leased to Queensland Venue Company (Coles/AVC JV) and 16 properties leased to Australian Venue Company(AVC), 6 properties leased to others, with majority of leases with annual CPI linked reviews
- Underlying business value in operator provides capital protection/ upside at lease expiry and linked to real estate -
  - Under the majority of leases, liquor and gaming licenses revert to the landlord
- Long dated debt and disciplined LVR provides stable capital structure with 65.9% of debt fixed



#### **Key HY24 HPI statistics to TGP**

**Value of Group investment** \$83.0m

> **HY24 distributions** \$2.7m

**Proportion of TGP's assets** 49.5%

> Period of ownership 15 months

> **Group ownership %** 14.8%

HPI distribution yield based on FY24 forecast distribution of 19.0cps dividend by closing price of HPI on the ASX of \$2.87 as at 29 December 2023



### HY24 profit & loss highlights



**Statutory net loss** 

\$5.4m

(HY23: loss \$0.6m)

Statutory net loss of \$5.4 million for the half year included a fair value loss on the HPI investment of \$7.8 million together with the write-off of an intangible asset of \$2.0 million.

**Operating profit** 

\$4.7m

(HY23: profit \$5.9m)

Operating profit<sup>1</sup> of \$4.7 million (equating to 2.1 cps) a decrease from the prior period primarily due to a reduction in management fee revenue following a \$2.6 million acquisition fee in the prior period. The reduction in revenue has been off-set by savings in operating expenses of \$0.9 million or 27.8% in the current period, following the rationalisation and simplification of investment strategy.

Fully franked dividend security

**2.0cps** 

(HY23: 2.25cps, excluding special dividend)

2.0cps (fully franked) dividend representing a payout ratio of 95%, in line with Group's dividend and distribution policy of distributing a minimum of 80% of operating earnings.

	HY24	HY23	Change	Change
PROFIT & LOSS STATEMENT	(\$m)	(\$m)	(\$m)	(%)
Funds management revenue	1.6	4.1	(2.5)	
Investment revenue	4.3	3.5	0.8	
Finance revenue	0.7	1.7	(1.0)	
Total revenue	6.6	9.3	(2.7)	(29.0)%
Employment expenses	(1.3)	(1.6)	0.3	
Operating expenses	(0.7)	(1.2)	0.5	
Operating profit before tax	4.6	6.5	(1.9)	(29.2)%
Income tax benefit /(expense)	0.1	(0.6)	(0.7)	
Operating profit after tax	4.7	5.9	(1.2)	(20.3)%
Non-operating Items	(10.1)	(6.5)	(3.6)	
Statutory profit attributable to securityholders	(5.4)	(0.6)	(4.8)	(800.0)%
Weighed average number of securities on issue	223.1	220.9	2.2	
Operating profit – cps	2.1	2.7	(0.6)	(22.2)%
Statutory profit (loss) – cps	(2.4)	(0.3)	(2.1)	(700.0)%
Distribution/dividend - cps	2.0	2.25	(0.25)	(11.1)%
Special dividend – cps		8.0	(8.0)	(100.0)%

<sup>1.</sup> Operating profit is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the profit under AAS adjusted for non-operating items. The above report is prepared on an operating basis. For full statutory accounts including disclosures together with operating to statutory reconciliation refer 360 Capital Group Interim Financial Report for the half year ended 31 December 2023

#### HY24 balance sheet highlights



**Total investments** 

\$124.1m

During the period the Group realised \$3.7 million from the disposal of 360 Capital Cardioscan Trust being its final non real estate investment. All investment and co-investment stakes are now in ASX listed entities.

Net assets value

\$0.74

per security (June 2023: \$0.78) Net Asset Value (NAV) down \$0.04 per security from June 2023, primarily due to the fair value loss on investments during the period.

Cash

\$34.9m

Cash reduced during HY24 mainly due to investing \$4.7 million in TGP buyback program and further acquisition of TOT units, offset by proceeds from sale of Cardioscan co-investment.

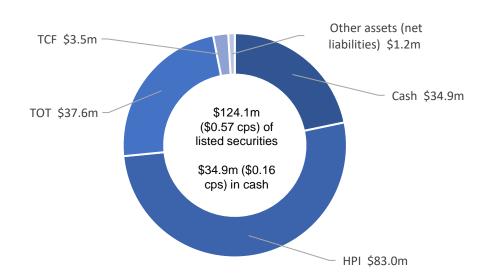
BALANCE SHEET	31-Dec-23 (\$m)	30-Jun-23 (\$m)	Change (\$m)	Change (%)
Cash	34.9	38.8	(3.9)	
360 Capital REIT (ASX:TOT)	37.6	34.3	3.3	
360 Capital Mortgage REIT (ASX:TCF)	3.5	3.5	-	
Hotel Property Investments (ASX:HPI)	83.0	90.8	(7.8)	
360 Capital Cardioscan Trust	-	3.7	(3.7)	
Receivables and other assets	6.0	6.4	(0.4)	
Intangibles	2.6	4.9	(2.3)	
Total assets	167.6	182.4	(14.8)	(8.1%)
Dividend/distributions payable	4.7	4.9	(0.2)	
Tax liabilities	-	0.1	(0.1)	
Other liabilities	2.7	3.2	(0.5)	
Total liabilities	7.4	8.2	(8.0)	(9.8%)
Net assets	160.2	174.2	(14.0)	(8.0%)
Securities on issue	215.9	224.7	(8.8)	
NAV per security (cents)	74.2c	77.5c	(3.3c)	
NTA per security (cents)	73.0c	75.3c	(2.3c)	

Note: Above disclosures represent the Segment Balance Sheet based on management accounts and does not include balances associated with non-controlling interests. Classifications of items may differ to statutory Financial Reports included in the 360 Capital Group Interim Financial Report for the half year ended 31 December 2023.

#### Financial analysis and capital management







#### Capital commitments post 31 December 2023

- Post period, the Group committed to the following capital commitments:
  - \$0.6 million in TOT DRP, increasing its stake to 29.5%
  - \$13.8m to take up its entitlement offer in full in the TOT Entitlement Offer announced on 14 February 2024
  - Commenced on-market buyback of TGP securities on 14 February 2024
- All of the above commitments will be funded from the Group's existing cash

#### **Buyback**

- Purchased a total of 8.8 million securities over past 6 months, equivalent 4.0% of the issued capital (excl ESP securities).
- Total of \$4.7 million deployed into buyback at an average of \$0.537 per security being a 27.4% discount to the Group's 31 December 2023 NAV.
- Securityholder approved both on market and off market buyback of approximately 20% of Group's issued capital at 2023 AGM – 42.2 million securities remain available to be purchased back if in the best interest of TGP securityholders.



#### Outlook



#### Market outlook

Over the next 12 months, we believe that the Australian commercial real estate market will have the following characteristics:

- Capital markets will continue to remain challenging and scarcity of capital for commercial real estate (debt and equity)
- Capitalisation rates likely to continue to soften resulting in continued valuation declines as lag effect starts to catch up
- Higher geared owners will become in focus with their lenders and will have to start to undertake capital management initiatives
- Interest rates likely to have peaked in Australia, but market too optimistic on rates falling materially as inflation harder to manage
- Replacement costs will continue to increase and likely to underpin long term value for modern assets

# Key operational focuses 2H24

- TOT Complete capital raising and remaining lease remaining vacancies within the portfolio
- Credit Continue to grow the loan portfolio within TCF (ASX:TCF) and PCF (unlisted contributory mortgage fund) with for private capital (HNW, family offices, other capital partners)
- HPI Continue to monitor our investment, with HPI underlying business drivers remaining strong
- HCP Continue to grow management appointments and find capital partners across hotels and co-living

## Forecast 2H24 distribution

- Group's dividend and distribution policy of distributing a minimum of 80% of operating earnings remains unchanged
- Forecasting that dividends/distributions will be lower in 2H24 with earnings of between 1.6 cps and 1.8 cps
- Given level of cash, uncertainty around transactional fee revenues, the size of the buyback and current market environment make earnings forecasting difficult, however majority of above earnings locked in already, subject to markets remaining stable



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360 Capital Identifying strategic investment opportunities

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