



360 Capital REIT (ASX:TOT) HY22 Results Presentation

24 February 2022

510 Church Street, Cremorne

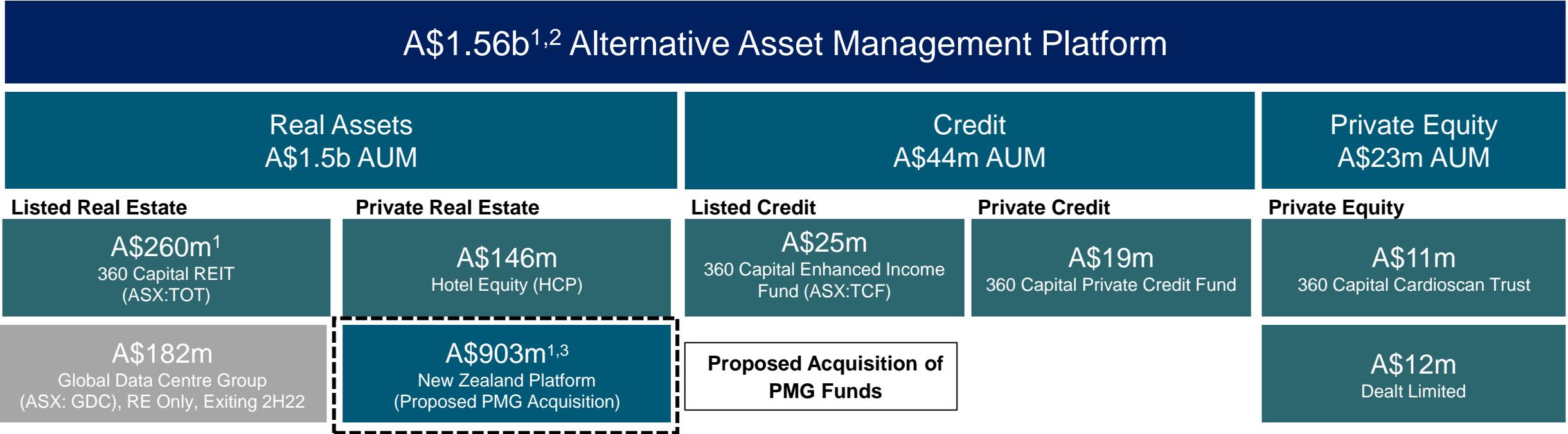
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1. Highlights

An investment in 360 Capital REIT (ASX:TOT) provides:

- Balance sheet exposure to Australia and New Zealand commercial real estate investments
- Stable and growing income returns with regular, quarterly distributions and the ability for capital growth
- Sixteen year track record of active management across a diverse range of real estate asset classes
- Transparent investments and structure with an aligned manager holding 23.1% of 360 Capital REIT (ASX:TOT)



¹ Assumes the Charter Hall Scheme to acquire Irongate is successful

² Assumes TGP acquires PMG

³ Assumes PMG manages 100 Willis St, Wellington



\$1.26

NTA per Unit



\$0.95

Trading Price
-24.6% discount to
NTA¹



6.3%

Annualised distribution
yield¹



2.6cpu

HY22 Operating
Earnings



26.5cpu

Forecast FY22
Operating Earnings



**EXECUTING ON
THE STRATEGY**

Option to acquire a
\$254m property portfolio
with >8 year WALE²

¹ As at 23 February 2022

² Subject to due diligence and Charter Hall implementing a scheme of arrangement with Irongate Group (ASX: IAP)



HY22 Key Highlights

Simplified the balance sheet of TOT with the realisation of the remaining \$6.0m of non-core assets¹ completed. TOT's investments are now all real estate equity.

+10.5%
Increase in NTA per security

On 28 January 2021, TGP and TOT entered into a memorandum of understand (MOU) with a Charter Hall Group (ASX:CHC) managed partnership comprised of Dutch pension fund PGGM (PGGM) and Charter Hall Group.

6.3% distribution
Forecast FY22 annualised
distribution yield⁶

The MOU facilitated the Charter Hall Partnership to make a non-binding indicative offer to IAP Board to purchase all of the IAP securities on issue for \$1.90 per security plus pay the March 22 distribution. As part of the MOU, TOT will purchase a portfolio of 3 modern office buildings in IAP totalling \$254.0 million and portfolio WALE of approximately 8.3 years.

\$254.0m
Portfolio of modern A-grade assets

If the Indicative Proposal is implemented, it will deliver TOT a 33.1% Internal Rate of Return² on TOT's \$123.2m investment and forecast operating earnings per security for FY22 of 26.5cps.

26.5cps
4.4X Increase in Forecast FY22
Operating Earnings

In line with the transformation into an A-REIT, post period TOT entered an agreement (subject to TOT and TGP Securityholder approval) to sell TOT's 50% equity interest in PMG Funds to TGP³ for NZ\$21.875m⁴. Should Securityholders approve the transaction, TOT will make a pre-tax gain on the sale of 2.0cps, realising a pre-tax IRR of 32.5%⁵.

32.5%
Pre-tax IRR on the sale of PMG

¹ Non-core assets included, at book value, the DET loan and shares (\$3.2m) and inventory disposal of (\$2.8m)

² Pre-tax, assuming a realisation date of 30 June 2022

³ Subject to TOT and TGP investor approval. Includes the transfer of related deferred consideration assets and liabilities.

⁴ Excluding the NTA adjustment.

⁵ Including dividends received

⁶ Based on the \$0.95 closing price of TOT on 23 February 2022

Simplification of TOT's Business Model

Objective	To provide investors with regular quarterly distributions and the opportunity for capital growth
Strategy	Simplified strategy of investing in real estate equity through the ownership of an appropriately geared, well leased portfolio of assets across Australia and New Zealand
Investor Returns	Growing distributions from 6.0cps base with opportunity for NTA growth
Track Record	16-year real estate track record across office, industrial and retail assets in Australia and New Zealand
Growth	Consistent execution of TOT's stated strategy of investing in real estate equity and increase the scale and liquidity of TOT, having regard to the current point in the interest rate and real estate cycle

2. Irongate Group Update



34 Southgate Avenue, Cannon Hill



The strategy of investing in IAP was to give TOT a portfolio of direct assets and TGP to expand its funds management activities. TOT made its initial investment in IAP in January 2021, acquiring a 9.2% interest, subsequently TOT and TGP acquired a further 10.7%, taking the combined holding to 19.9% at an average entry price of \$1.41¹.

\$42.1 million
Pre-tax profit, equivalent to 30cps

On 28 January 2021, TGP and TOT entered into a memorandum of understand (MOU) with a Charter Hall Group (ASX:CHC) managed partnership comprised of Dutch pension fund PGGM (PGGM) and Charter Hall Group (MOU).

33.1%²
Internal Rate of Return

The MOU facilitated the Charter Hall Partnership to make a non-binding indicative offer to IAP Board to purchase all of the IAP securities on issue for \$1.90 per security plus pay the March 22 distribution. As part of the MOU, TOT will purchase a portfolio of 3 modern office buildings in IAP totalling \$254.0 million and portfolio WALE of approximately 8.3 years.

26.5^{3,4} cps
4.4x Increase in Forecast FY22
Operating Earnings per Security

If the Indicative Proposal is implemented, it will deliver TOT a 33.1% Internal Rate of Return² on TOT's \$123.2m investment and forecast operating earnings per security for FY22 of 26.5cps.

\$254m
Modern A-grade portfolio with 8.3-
year WALE under option

¹ As at 31 December 2021

² Pre-tax, including distributions.

³ Based on an average entry price of \$1.41 per IAP Security and a forecast distribution of \$0.090 for the 2022 financial year

⁴ Assuming the Charter Hall Scheme of Arrangement proceeds and is implemented in FY22



3. Proposed Portfolio Acquisition and Strategy

Proposed portfolio acquisition



	Cremorne, VIC	Brisbane, QLD	Canberra, ACT
Asset			
Overview	<ul style="list-style-type: none"> • 50% interest in a brand new, modern A-grade office building with a lettable area of 19,802 sqm, located in Melbourne's fringe office market • Large campus style floor plate of between 1,393sqm and 2,624sqm • Strong A-Grade tenant covenants reflected with a 7.1 year WALE and anchor tenants comprise Dentsu Inc., Monash IVF and NDIS comprising 59% of the passing income 	<ul style="list-style-type: none"> • 100% interest in a brand new, modern A-grade office building with a lettable area of 3,520 sqm and underground parking • The property is fully leased to ASX listed Michael Hill for a term of 10-years with annual 3% rental reviews 	<ul style="list-style-type: none"> • 100% interest in a recently refurbished A-grade office building comprising 8,901sqm of lettable area across four levels including a ground floor café in Forrest, ACT • The property is 55% leased to the Australian National Audit Office, a department of the Australian Federal Government with 13.5 years remaining on the lease term and annual fixed rent reviews of 3.5%
Lettable Area	19,802 sqm	3,520 sqm	8,901 sqm
Purchase Price	\$137.0m	\$38.0m	\$79.0m
Implied Cap Rate²	4.39%	4.74%	4.78%
WALE¹	7.1 Years	10.0 Years	9.3 Years
Occupancy¹	100%	100%	100%

¹ Including rental guarantees

² Implied Cap Rate equals the last reported value multiplied by the last reported capitalisation rate, the result of which is divided by the Purchase Price stated above

To provide consistent and growing income returns with an opportunity for capital growth from a diversified portfolio of assets in core markets within Australia and New Zealand.

Key investment criteria:

- Securely leased assets with high and consistent occupancy
- Focus on A-grade office, generic warehouse / logistics and select retail assets
- \$30-\$200million value range
- Strong tenant quality with a focus on government and major corporates to provide secure income
- Modern or refurbished assets requiring low ongoing capital expenditure
- Develop to hold once the portfolio is of sufficient scale

Key Fund metrics:

- Target gearing range of 30-45%
 - Interest rate hedging of between 50-80%
 - FY23 distributions of 6.0cps
 - Ongoing WALE of greater than 4.0 years
 - 360 Capital to maintain a significant co-investment in TOT (initially c.23%)
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4. Proposed Sale of PMG Group

Based on feedback from a number of TOT investors, and TOT's strategy of becoming a pure REIT, TOT undertook a review of the suitability of maintaining its investment in PMG.

NZ\$21.9m
Agreed sale price^{1,3}

On completion of this review and in light of the pending Irongate Group Transaction which had the potential of fast-tracking TOT's REIT strategy, TOT engaged in discussions with TGP for the potential sale of its 50% equity interest in PMG to TGP.

32.5%²
Pre-tax IRR on the investment over the 12-months

Under the agreement, TGP will buy from TOT its 50% interest in PMG Funds for NZ\$21.875 million plus 50% of PMG Funds NTA, delivering TOT approximately 32.5% pre-tax Internal Rate of Return (IRR) over the 13-month investment.

34.8%
Total return on invested capital over the past 13-months

If TOT and TGP securityholders approve the PMG Funds transaction at their respective securityholder meetings (scheduled for late March 2022), it is expected that the transaction will settle shortly thereafter.

2.0cps
Gain on sale (pre-tax)

¹ Excluding the NTA adjustment. Includes the transfer of related deferred consideration assets and liabilities.

² Including dividends received

³ The sale price corresponds to a NZ\$4.4m or 25% increase over TOT's purchase price 12-months ago

Benefits of proposed sale of PMG

-
- ✓ The Proposed Sale would realise a return of 32.5% for TOT securityholders¹
 - ✓ Provide TOT with \$21.3m of capital to be redeployed²
 - ✓ Simplifies the investment portfolio of TOT and removes unlisted active/operating business from portfolio
 - ✓ Improves transparency of investments for securityholders
 - ✓ Positions TOT to be a more traditional A-REIT comparable with its peer set
 - ✓ Crystallise intangible asset and allow funds to be deployed into tangible, real estate equity
-

¹ Pre-tax IRR including dividends received

² Purchase consideration plus NTA adjustment less estimated tax payable



5. Proposed Change to Performance Fee

Proposed Change to performance fee

-
- The Responsible Entity is entitled to a performance fee of 20% of any total return in excess of 12% p.a.
 - The calculation of total return is based on actual distributions paid to Securityholders plus an increase in the trading price in the relevant financial year multiplied by the number of Securities on issue at the end of the relevant financial year.
 - Given the refinement of TOT's strategy toward a more traditional A-REIT, assuming the Irongate transaction proceeds, the Responsible Entity proposes to remove the Performance Fee structure upon acquisition of the portfolio of IAP assets in line with fee structures of comparable A-REITs
-



6. Financial Summary

Key HY22 financial metrics



+\$19.7m

Increase in net assets

During the period net assets increased by \$19.7m largely due to the increase in the value of IAP

\$1.26

NTA per security

Increase of 12.0 cents per security from the end of the previous financial year

\$21.1m

Statutory NPAT

\$16.8m increase in statutory net profit attributable to securityholders reflects the returns from executing the strategy of investing in real estate equity

2.6cps

Operating Earnings

Operating profit¹ of \$3.7m reflecting a 155% increase on prior period as cash balances deployed

Financial results overview

Balance sheet summary	31-Dec-21 (\$m)	30-Jun-21 (\$m)	Change (\$m)	Change (%)
Total Assets	188.6	168.3	20.4	12%
Total Liabilities	11.9	11.2	0.7	6%
Net Assets	176.8	157.1	19.7	13%
Securities on issue	140.7	137.7	2.9	2%
NTA per security	\$1.26	\$1.14		11%

Profit and loss summary	HY22 (\$m)	HY21 (\$m)	Change (\$m)	Change (%)
Total Revenue	32.2	13.3	19.0	143%
Profit from continuing operations before tax	28.1	5.6	22.5	399%
Statutory Profit attributable to Securityholders	21.1	4.4	16.8	381%
Operating Profit ¹	3.7	1.5	2.3	155%
Operating EPS ¹	2.6 cps	1.1 cps	1.6 cps	152%
Distribution CPS	3.0 cps	3.0 cps	0.0 cps	0%

¹ 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.



7. Key Focus and Guidance

510 Church Street, Cremorne



Continue to execute on TOT's refined strategy

Communication

Improve and maintain communication to existing and potential investors

Sale of PMG

Complete the sale of PMG to TGP during 2H22, delivering a 32.5% pre-tax IRR for TOT and simplifying TOT portfolio

Irongate Group

Conclude the IAP Transaction and exercise of the Call Option arrangements, delivering a 33.1% IRR and \$42.1 million pre-tax profit and the acquisition of a modern A-grade office portfolio

Guidance

- Forecast FY22 operating earnings guidance of 26.5^{1,2} cents per security
- Forecast FY22 distribution guidance of 6.0 cents per security
- Forecast FY23 distribution guidance of 6.0 cents per security

Distributions

Assuming the proposed sale of IAP and PMG proceed, going forward TOT will have significant franking credits, allowing the flexibility to pay either fully franked or partly tax deferred distributions.

¹ Based on an average entry price of \$1.41 per IAP Security and a forecast distribution of \$0.090 for the 2022 financial year

² Assuming the Charter Hall Scheme of Arrangement proceeds and is implemented in FY22



Appendix 1: Financials

HY22 balance sheet highlights



\$154.8m

Investments in securities

As at 31 December 2021, TOT had \$154.8m of securities, \$150.5m of which is the 12.8% holding in IAP, which is held at \$1.73 compared to an average acquisition price of \$1.41

\$19.7m

Increase in net assets

During the period net assets increase by \$19.7m largely due to the increase in value of the real estate equity investments

\$1.26

NTA per security

Increase of 12 cents per security or 10.5% from the end of previous financial year

	31-Dec-21 (\$m)	30-Jun-21 (\$m)	Change (\$m)	Change (%)
Cash	13.1	15.6	(2.5)	
Joint ventures	18.7	19.8	(1.1)	
Investments in securities	154.8	122.2	32.7	
Inventory	-	2.8	(2.8)	
Convertible loan note	-	3.2	(3.2)	
Other assets	2.0	4.7	(2.7)	
TOTAL ASSETS	188.6	168.3	20.4	12%
Payables	0.2	2.9	(2.6)	
Deferred consideration	1.8	3.9	(2.2)	
Deferred tax liabilities	7.3	0.8	6.5	
Provision for income tax	0.4	1.5	(1.1)	
Distributions payable	2.1	2.1	0.0	
TOTAL LIABILITIES	11.9	11.2	0.7	6%
NET ASSETS	176.8	157.1	19.7	13%
Securities on issue	140.7	137.7	2.9	2%
NTA per security	\$1.26	\$1.14	\$0.12	10.5%

Proforma balance sheet post sale of PMG and acquisition of portfolio



Sources:	\$m
Sale of PMG Group	21.3
Sale of IAP Securities	165.3
Cash and Other asset sales	12.1
New debt facility	89.7
Total Sources:	288.4
<hr/>	
Applications:	\$m
Portfolio Acquisition	254.0
Transaction Costs	20.4
Income Tax Liability	14.0
Total Applications:	288.4

	31-Dec-21 (\$m)	IAP Sale ¹ (\$m)	Asset Sales ² (\$m)	Acquisitions ¹ (\$m)	Proforma (\$m)
Cash	13.1	165.3	7.3	(184.7)	1.0
PMG Funds (50%)	18.7		(18.7)		-
Investments in securities	154.8	(150.9)			3.9
Investment properties	-			254.0	254.0
Other assets	2.0		(1.7)		0.3
TOTAL ASSETS	188.6				259.2
Payables	0.3				0.3
Deferred consideration	1.8		(1.8)		-
Deferred tax liabilities	7.3	6.3	(13.6)		-
Provision for income tax	0.4		(0.4)		-
Interest bearing liabilities	-			89.7	89.7
Distributions payable	2.1				2.1
TOTAL LIABILITIES	11.9				92.1
NET ASSETS	176.8				167.1
Securities on issue	140.7				140.7
NTA per security	\$1.26				\$1.19
Gearing	0.00%				34.36%

¹ These figures are prepared on the basis that; i.) the Charter Hall Scheme is completed in accordance with the terms announced 31 January 2022 and, ii.) that the transactions in the related MOU, as they pertain to TOT, are completed, iii.) TOT securing debt for the acquisitions.

² These figures are prepared on the basis that TOT and TGP securityholders approve the PMG Funds transaction and that it is completed on the terms announced on 31 January 2022

HY22 profit and loss highlights



\$3.8m Distribution revenue	Distribution revenue of \$3.8m, a +\$3.5m increase from HY21 due to capital being redeployed into real estate equity
\$21.1m Statutory net profit	\$16.8m increase in statutory net profit reflecting a 381% increase
\$3.7m Operating profit	Operating profit ¹ of \$3.7m reflecting a 155% increase on prior period as a result of the income from the redeployment of capital into real estate equity
2.6cps Operating earnings	Operating EPS increased 152% as a result of the income from the redeployment of capital into real estate equity
3.0cps Distributions per security	Distributions of 3.0cps for the period in line with prior period and guidance

	HY22 (\$m)	HY21 (\$m)	Change (\$m)	Change (%)
Distribution income	3.8	0.4	3.5	
Sale of inventory	3.0	6.7	(3.7)	
Net gain on fair value of financial assets	24.0	4.7	19.3	
Revaluation on acquisition of equity accounted investment	0.8	-	0.8	
Other income	0.6	1.6	(1.0)	
TOTAL REVENUE	32.2	13.3	19.0	143%
Management fees and expenses	(0.8)	(0.8)	0.0	
Cost of goods sold	(2.8)	(5.9)	3.1	
Other expenses	(0.5)	(0.4)	(0.1)	
Revaluation on acquisition of equity accounted investment	-	(0.4)	0.4	
Net loss on disposal of financial assets	-	(0.1)	0.1	
Profit from continuing operations	28.1	5.6	22.5	399%
Income tax (expense)/benefit	(6.9)	(1.2)	(5.7)	
STATUTORY NET PROFIT	21.1	4.4	16.8	381%
Fair value (gain) / loss on investments	(24.0)	(4.7)	(19.3)	
Tax Effect on Fair value (gain) / loss on investments	6.3	1.0	5.3	
Transaction costs	0.5	0.3	0.2	
Other	(0.2)	0.4	(0.6)	
OPERATING PROFIT¹	3.7	1.5	2.3	155%
OPERATING EPS¹	2.6 cps	1.1 cps	1.6 cps	152%
STATUTORY EPS	15.1 cps	3.2 cps	11.9 cps	375%
DISTRIBUTIONS CPS	3.0 cps	3.0 cps	0.0 cps	0%

¹ 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.

Disclaimer



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