



ASX Release

25 August 2022

360 Capital Group (TGP) – FY22 Results

Principal investing continues to drive profits Business simplified to core strengths of real estate investing and funds management

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360 Capital Group (ASX:TGP) (the **Group**) is pleased to announce its financial results and operational update for the year ended 30 June 2022.

In the first half of FY22, the Group rationalised its investment products and simplified its business, focusing on driving profit, maintaining a strong balance sheet and reinvesting principal proceeds, namely into Irongate Group and supporting other Group activities across real estate and credit.

It became evident that exiting substantial non-core investments and realising on the Group's Irongate position was prudent given the volatility in capital markets experienced in the second 6 months of FY22.

The Group continued to rationalise its investment products and simplify its business during the second 6 months of FY22. With most profits coming from real estate activities, the Group decided in June 22 to focus solely on our core strengths of real estate investing and funds management.

Our real estate investing and funds management activities comprise:

- 360 Capital REIT (ASX:TOT) – core income producing REIT
- Hotel Capital Partners – JV investing across hotel accommodation assets
- 360 Capital Strategic Real Estate Partners – real estate private equity partnership strategically and opportunistically investing in REITs.

When market conditions normalise and appropriately priced opportunities arise, the Group will also build on its track record of investing in real estate credit, capitalising on its Dealt technology platform and relationships to build out real estate credit.

Post settlement of the Irongate transaction on 15 July 2022, the Group has over \$160 million in cash, no bank debt and the opportunity to capitalise on market volatility and dislocation given the Group's 16 year track record of real estate investing.

Key financial highlights for the year ended 30 June 2022

- Operating revenue of \$53.9 million, up 157% on \$21.0 million in the pcp;
- Statutory net profit of \$31.7 million up 499% on \$5.3 million in the pcp;
- Statutory earnings of 14.5 cps, up 504% on 2.4 cps in the pcp;
- Operating profit of \$30.9 million up 240% on \$9.1 million in the pcp;
- Operating EPS of 14.1 cps up 236% on 4.2 cps in the pcp;
- Dividends per security (DPS) of 6.0 cps (fully franked) up 50% on 4.0 cps in the pcp;
- NAV per security of \$0.99, up 8.8% on \$0.91 in the pcp;
- Strong balance sheet post settlement of Irongate transaction with \$160 million in cash, no debt, and \$49.4 million in liquid assets; and
- Post reporting date, the Group declared special 8.0 cps fully franked dividend.



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FY22 key highlights

During the year, the management team has focused on simplifying the Group's business through realising significant co-investment positions, crystallising management rights coupled with rationalising investment products and reducing operating costs to its core business of real estate investing and funds management. Highlights of the Group's activities by each strategy include:

Real assets

- 360 Capital REIT (ASX:TOT) implemented its strategy of becoming a pure REIT strategy following the Irongate Group (ASX:IAP) (Irongate) transaction;
- Group and TOT combined invested \$191.6 million into Irongate and post period sold their stake to the Charter Hall Partnership for \$257.3 million;
- Post period TOT acquired 3 modern commercial properties from the Irongate portfolio for \$257.5 million;
- Post period TOT sold its 50% equity interest in PMG for NZ\$22.0 million;
- Hotel Capital Partners (HCP) settled its first hotel acquisition in September 2021 for \$146.0 million on behalf of a US based private equity fund and continues to build out its portfolio;
- The Group sold its 33.2% stake in Global Data Centre Group (ASX:GDC) for \$42.0 million in September 2021 and its 50% share in the GDC investment manager for \$4.4 million in December 2021 as part of its simplification strategy; and
- The Group established 360 Capital Strategic Real Estate Partners.

Private equity

- Group disposed of its 39.1% stake in FibreconX Trust and its 50% interest in the management rights for a total of \$26.7 million equating to an IRR of approximately 177% generating a pre-tax operating profit of approximately \$17.1 million as part of its simplification strategy;
- Continue to monitor CardioScan's business expansion post Covid 19 pandemic, the business continues to expand, we have commenced discussions with the company about options going forward and the fund's investment; and
- Group will focus on private equity real estate investing only going forward as part of its simplified business.

Credit

- 360 Capital Enhanced Income Fund (ASX:TCF) completed a capital raising in January 2022 raising a total of \$4.0 million;
- In April 2022, the Fund provided an additional \$2.6 million to its existing borrower and a further \$1.5 million new loan to an associated borrower, resulting in the fund's capital remaining fully deployed;
- A strategic review of TCF was undertaken, loans continue to perform and potentially may be repaid prior to maturity. Upon repayment, the Responsible Entity will consult with unitholders to determine future strategy for the Fund; and



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- Group will strategically look to re-enter real estate debt investing through potential platform acquisitions to complement the Dealt real estate debt platform in line with the Group's simplified business strategy of focusing on real estate investing including real estate credit.

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Irongate transaction

During the year, the Group invested a total of \$68.4 million into Irongate Group alongside TOT investing \$123.2 million collectively owning 19.9% interest at an average price of \$1.41 per IAP security. Between October 2021 and December 2022, TGP and TOT made 3 indicative non-binding proposals between \$1.60 and \$1.72 per IAP security, before the IAP Board finally rejected the last proposal in January 2022.

Following IAP rejections, the Group approached Charter Hall and negotiated a transaction. On 28 January 2022, Charter Hall, the Group and TOT entered into a memorandum of understanding whereby TOT would end up with three modern, long leased assets for a combined value of \$257.5 million and both the Group and TOT would receive \$1.90 per IAP security (\$92.0 million TGP, \$165.3 million TOT) plus the March 2022 distribution.

The IAP securityholders approved the transaction on 29 June 2022 and the Group settled its sale of shares on 15 July 2022 of \$92.0 million with TOT settling on two properties in July and August 2022. TOT is expected to settle on the third in September 2022, growing TOT's FUM to \$265.2 million and completing TOT's transition to a pure income REIT. The Group and TOT both realised an IRR of 33.9% on their combined capital invested.

As a result of the property acquisitions going unconditional in FY23, the Group will recognise acquisition fees associated with the transaction in FY23 which were previously forecast to occur in FY22.

Funds management

Following significant rationalisation and simplification during FY22, the Group's funds management platform comprised 3 ASX listed entities (including TGP), one private equity fund, a private capital mandate in Hotel Capital Partners and recently established of 360 Capital Strategic Real Estate Partners.

Revenue from funds management was \$6.6 million for FY22, up 12.1% on pcp as a result of the realisation of funds management rights of non-core funds.

Growth in funds management activities will be as follows:

- TOT, continuing to grow from its current \$265.2 million asset base through direct property acquisitions as well as M&A activity in either listed and unlisted funds;
- Hotel Capital Partners is 55% owned by the Group in partnership with two experienced partners in Stephen Burt and Lucia Grambalova. Hotel Capital Partners will continue to grow its hotel assets through partnering with private capital partners; and
- 360 Capital Strategic Real Estate Partners (SREP) has been established to capitalise on the Group's 16 year corporate and M&A real estate track record. SREP is currently raising capital from global private equity real estate partners. SREP will capitalise on the continuing consolidation of the REIT markets in Australia and New Zealand.



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The Group had planned to purchase TOT's 50% interest in PMG Funds during the year, however, following a revised proposal from a group including existing PMG shareholders and given market volatility, the Group decided not to proceed and to focus its efforts on the Australian real estate sector for the near term.

Principal Investments

During the first half of FY22, the Group disposed of its co-investments in the digital infrastructure activities being 360 Capital FibreconX Trust for \$26.7 million, equating to an IRR of 177% return on original \$10.0 million investment and 33.2% stake in Global Data Centre Group for \$42.0 million in line with its cost base.

The Group recycled its digital infrastructure co-investment by investing a total of \$68.4 million into Irongate during FY22.

As at 30 June 22 the Group's co-investment totalled \$146.4 million across TOT, Irongate, TCF and Cardioscan Trust. As outlined above, the Group received \$92.0 million on 15 July 2022 from the realisation of its Irongate investment, significantly reducing the Group's overall co-investments.

The Group generated total revenue of \$47.1 million from principal investing during FY22.

Board and management changes

In March 2022, James Storey was appointed CEO of the Group and Tony Pitt was appointed Executive Chairman. Tony McGrath was also appointed an Independent Non-Executive Director.

The balance of the Board composition remained unchanged. David van Aanholt became the Independent Deputy Chairman and Andrew Moffat and John Ballhausen remained Independent Non-Executive Directors.

Special dividend

Following significant post tax earnings in FY22 generating excess franking credits, coupled with the significant cash balance, the Board has today declared a special fully franked dividend of 8.0 cps, with the option of securityholders being able to reinvest the special dividend back in the Group at a 1.5% discount to the 10 day VWAP via the Distribution Reinvestment Plan (DRP).

The record date for the special dividend is 31 August 2022 and for those not electing to take up their DRP, payment of the special dividend will be 7 October 2022. Securityholders electing to take up their DRP have until 14 September 2022 to elect to nominate to take up the DRP.

The special dividend of 8.0 cps will replace previous FY23 forecast dividend of 6.0 cps. Any further FY23 dividends will be subject to revenue generated from deployment of the Group cash and further revenue from funds management activities.

The Group's distribution/dividend policy going forward will be to target to distribute a minimum of 80% of the operating earnings for each year.



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Proposed capital deployment

The Group currently has approximately \$160 million in cash. Deployment of this capital into real estate activities will in part be opportunistic and subject to market conditions and as opportunities arise. Preliminary allocation is as follows:

• 360 Capital Strategic Real Estate Partners:	\$100.0 million	3-12 months
• AFSL regulatory capital:	\$10.0 million	Restricted
• Tax liabilities:	\$6.0 million	June 2023
• Special dividend (assume 50% DRP):	\$9.0 million	September 2022
• HCP, FM initiatives, underwriting:	\$35.0 million	On-going

Key Focus for FY23

Group

- Continue to reduce operating costs from simplified business.
- Simplify business strategy to real estate investing and funds management.
- Distribute franking credits back to securityholders-
- Continue to investigate opportunities to scale the Group's real estate activities.

360 Capital REIT

- Complete Irongate acquisitions and lease remaining vacancies currently under a rental guarantee
- Complete sale of PMG Funds.
- Over time, distribute the accrued franking credits back to TOT securityholders.
- Improve liquidity and scale of TOT through acquisition opportunities.
- Distribute 6.0cps for FY23 (expected to be fully franked).

Hotel Capital Partners (HCP)

- Expand capital partners network allowing broader access to hotel investment opportunities,
- Continue to grow FUM through dedicated mandates, club deals and partnerships managed by Hotel Capital Partners.

360 Capital Strategic Real Estate Partners

- Complete capital raising and co-investment commitments
- Shortlist potential targets and depending on market conditions commence capital deployment
- Offer other real estate opportunities to SREP partners

Authorised for release by, Board, 360 Capital Group.

For further information in relation to the proposal please contact either

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More information on the Group can be found on the ASX's website at www.asx.com.au using the Group's ASX code "TGP", on the Group's website www.360capital.com.au, by calling the 360 Capital investor enquiry line on 1300 082 130 or by emailing investor.relations@360capital.com.au

About 360 Capital Group (ASX: TGP)

360 Capital Group is an ASX-listed, investment and funds management group, focused on strategic and active investment management of real estate assets. Led by a highly experienced team, the Group operates in Australian and New Zealand investing across real estate equity and credit opportunities. We partner with our stakeholders to identify, invest and realise on opportunities.
