



## ASX Release

23 February 2023

### 360 Capital Group (ASX: TGP)

#### Half Year Results 31 December 2022

#### Capitalising on simplified strategy of real estate investing and funds management

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360 Capital Group (ASX: TGP) (**Group**) is pleased to announce its financial results and operational update for the half year ended 31 December 2022.

The first six months to 31 December 2022 have been a period of consolidation post the simplification and divestment of most the Group's non real estate activities during FY22. This refinement of strategy has allowed a reduction in the Group's headcount and cost base, focusing resourcing and capital on its core strength of real estate investment and funds management.

The Group is well positioned post the Irongate transaction with no borrowings with cash peaking at \$160 million prior to partial redeployment into Hotel Property Investments (ASX:HPI) and a credit investment. TGP's strong financial position and track record contributed to a total shareholder return of 12.9% for the 12-months to 31 December 2022, outperforming the broader S&P ASX300 AREIT Index by 32.9%.

The operating result for the 6 months to 31 December 2022 is lower than the pcp, primarily because of the prior period comprising a number of one-off gains as part of the divestment program of non-core assets and the Irongate Group transaction.

#### **Key financial highlights for the 6 months ended 31 December 2022**

- Statutory net loss of \$0.6 million, down 102% on \$25.7 million profit in pcp;
- Net operating profit of \$5.9 million, down 62% on \$15.6 million in pcp;
- Statutory net loss EPS of 0.3 cps, down 103% on 11.7 cps profit in pcp;
- Net operating profit EPS of 2.7 cps, down 62% on 7.1 cps in pcp;
- Ordinary distribution of 2.25 cps (excluding the 8.0 cps special dividend) down 25% on 3.0 cps in pcp;
- Special fully franked dividend of 8.0 cps paid in October, distributing franking credits to Securityholders;
- Net Asset Value (NAV) of \$0.88 per security, down on 30 June 2022 NAV of \$0.99 per security reflecting the payment of the special dividend;
- As at 31 December 2022, the Group had a strong balance sheet with \$38.0 million in cash, \$147.7 million in ASX listed securities, and is ungeared.

#### **Key operational highlights for the 6 months ended 31 December 2022**

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

- TOT sold its 50% equity interest in PMG in July 2022 for \$21.6 million;
- TOT settled the Irongate transaction in September 2022, completing the implementation of its strategy of becoming a pure REIT, purchasing 3 modern assets from IAP for \$257.2 million. Increasing TOT's gross assets by \$67 million.



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

- Via SREP, the Group has become the largest securityholder in Hotel Property Investments (ASX:HPI) purchasing a strategic 14.5% stake with a total value of \$100.5 million;

## **Credit**

- 360 Capital Enhanced Income Fund (ASX:TCF) was repaid the majority of its corporate debt investments allowing TCF to leverage TGP's six-year track record of real estate debt investing;
- Group expanded its real estate credit investing capability with the full acquisition of the Dealt real estate debt platform;
- TCF made a new \$24.4 million real estate credit investment comprising a senior debt facility in Sydney's northern suburbs, allowing TCF to increase its distributions by 17% p.a. and scope to commence scaling TCF's asset base;
- Complementing TCF new loan investment, the Group made a new junior loan investment of \$10.6 million, subordinated to TCF's facility.

## **Accommodation and Co-living – Hotel Capital Partners**

- HCP was appointed as asset manager on a further two further hotels over past six months, taking total assets under management to four;
- Team expanded with Lucia Grambalova becoming shareholder and Chief Investment Officer of HCP;
- Continuing to advise and work with private capital investors on hotel and co-living opportunities within Asia;

## **Funds management**

The Group's only non-real estate managed fund now is 360 Capital CardioScan Trust, a \$10.2 million unlisted private equity fund, which post period the Group commenced a sales process of the fund or its shares in CardioScan.

The Group's simplification strategy has also reduced the number of funds it managers with three ASX listed entities, two unlisted funds and individual mandates within Hotel Capital Partners.

The Group continues to work through due diligence and structure with a major seed investor for 360 Capital Strategic Real Estate Partners (SREP).

Operating revenue from funds management activities was \$4.1 million for the 6 months to 31 December 2022, down 28% on \$5.7m in prior period reflecting the significant business simplification which has also allowed headcount and operating costs to be significantly reduced.

## **Principal investments**

Over the six months to 31 December 2022, the Group disposed of its stake in the Irongate Group with a significant profit recognised in the prior financial year. Proceeds from the settlement of the transaction were \$92.0 million leaving the Group well capitalised to take advantage of opportunities.

In December 2022, via SREP, the Group invested a total of \$100.5 million in Hotel Property Investments (ASX: HPI) becoming the largest investor with a 14.5% holding.



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In December 2022, the Group also re-entered real estate credit investing, deploying \$10.6 million into a junior loan which attracted an interest rate of 15% per annum, paid monthly.

As the Group's balance sheet was majority cash during the period and only investing a significant portion late in the period, operating revenue from principal investing was only \$5.2 million.

### **FY23 forecast dividends/distributions**

The Group's balance sheet comprised the majority of cash for approximately 5 months of the period.

Excluding the 8.0 cps special fully franked dividend paid in October 2022, the Group is forecasting 4.0 cps dividend/distributions for FY23, subject to a number of assumptions, including HPI maintaining its forecast distribution.

The forecast distribution is in line with the Group's revised dividend/distribution policy of distributing a minimum of 80% of operating earnings each year. In line with the new dividend/distribution policy, dividends/distributions will be paid six monthly.

### **Key Focus for FY23**

#### **Group**

- Continue to reduce operating costs from simplified business - 2H23 operating costs expected to be 50% lower than pcp.
- Simplify business strategy to real estate investing and funds management – CardioScan now the only non-real estate activities, commenced sales process of the fund or its shares in CardioScan
- Distribute franking credits back to securityholders – completed- 8.0 cps special dividend paid in October 2022.
- Continue to investigate opportunities to scale the Group's real estate activities - ongoing, re-entered real estate credit investing.

#### **360 Capital REIT**

- Complete Irongate acquisitions and lease remaining vacancies currently under a rental guarantee - Irongate Transaction completed, leasing ongoing
- Complete sale of PMG Funds - settled for \$21.6 million in July 2022 generating an IRR of 22% p.a.
- Over time, distribute the accrued franking credits back to TOT securityholders – Continue to provide fully franked distributions.
- Improve liquidity and scale of TOT through acquisition opportunities – Assessment of opportunities ongoing.
- Distribute 6.0cps for FY23 (expected to be fully franked) – on target.



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### Hotel Capital Partners

- Expand capital partners network allowing broader access to hotel investment opportunities – Significant interest in both co-living and hotels from capital partners.
- Continue to grow FUM through dedicated mandates, club deals and partnerships managed by Hotel Capital Partners – Now appointed as asset manager on four hotels.

### 360 Capital Strategic Real Estate Partners

- Complete capital raising and co-investment commitments – Ongoing
- Shortlist potential targets and depending on market conditions commence capital deployment – \$100.5 million deployed into Hotel Property Investments (ASX:HPI)
- Offer other real estate opportunities to SREP partners – Ongoing

Authorised for release by 360 Capital Group Board.

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

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### 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.

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