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360 Capital REIT (ASX:TOT)

FY20 Results Presentation

31 August 2020



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1. FY20 highlights

- Renamed 360 Capital Total Return Fund to 360 Capital REIT (“TOT”)
- Completed merger with URB Investments (“URB”), increasing the gross assets of TOT from \$103.4m¹ to \$161.7m²
- Completed institutional placement of \$10.8m in October 2019
- Achieved an average Internal Rate of Return (“IRR”) of 16.3% on exited loan investments
- Active management of TOT's loan portfolio resulted in \$63.1m in loan repayments during the reporting period and a further \$27.9m post period³
- Acquired 23 apartments in Gladesville, NSW at -20.0% below valuation and commenced sales campaign, selling 14 of 23 at an average premium of 23.8% to purchase price⁴
- As a result of COVID-19, TOT ceased its lending activities and shifted management's focus to converting outstanding loan positions and assets to cash.
- Given market volatility and economic uncertainty, the responsible entity took a conservative approach with a focus on capital preservation. As such, TOT did not deploy cash balances into new opportunities impacting earnings for FY20.



>\$90m CASH⁵



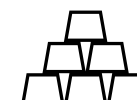
87% GROSS ASSET VALUE GROWTH⁶



9.0 CPS DISTRIBUTION



16.3% AVG IRR ON EXITED LOANS



\$1.13 NTA PER SECURITY



0% GEARING

¹ Based on the 30 September 2019 proforma figure presented in the Scheme Booklet

² Total assets 30 June 2020

³ From 1 July 2020 to 24 August 2020

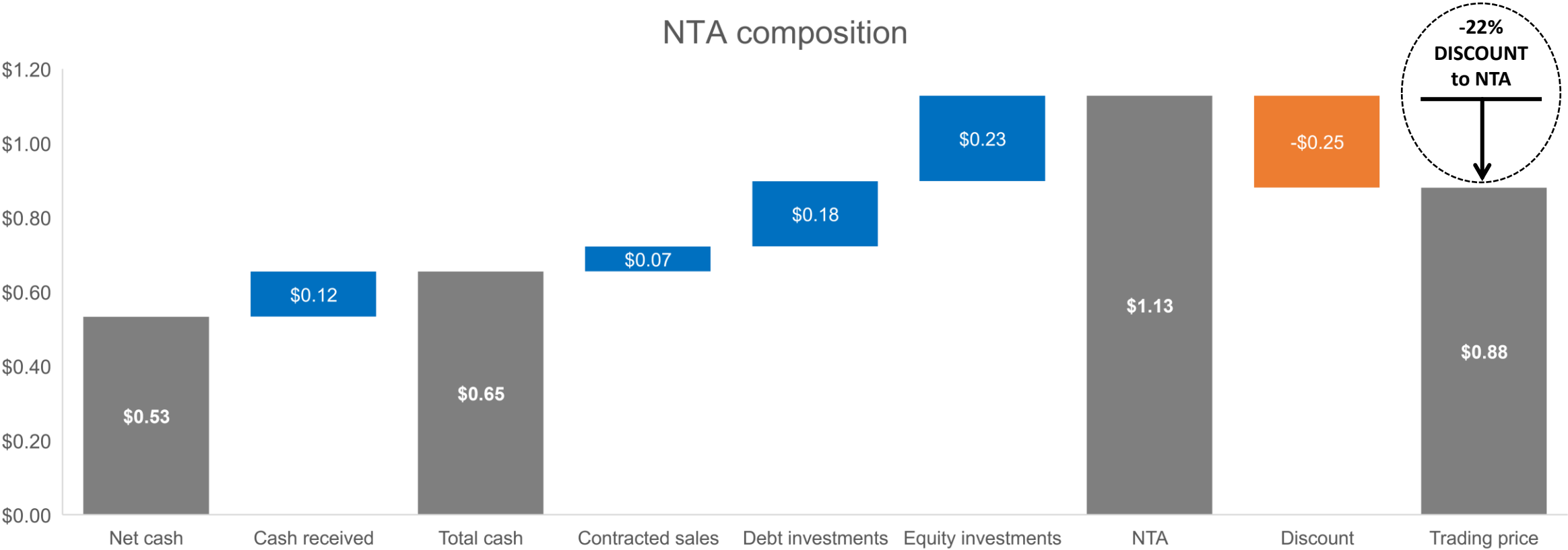
⁴ From the acquisition date to 24 August 2020

⁵ As at 24 August 2020

⁶ From 1 July 2019 to 30 June 2020

2. Value proposition

Currently trading at a -22% discount to NTA despite the majority of assets being cash and debt investments



Note: Financial figures as at 24 August 2020 (unaudited) unless otherwise stated. Figures calculated based on 138,800,281 securities.

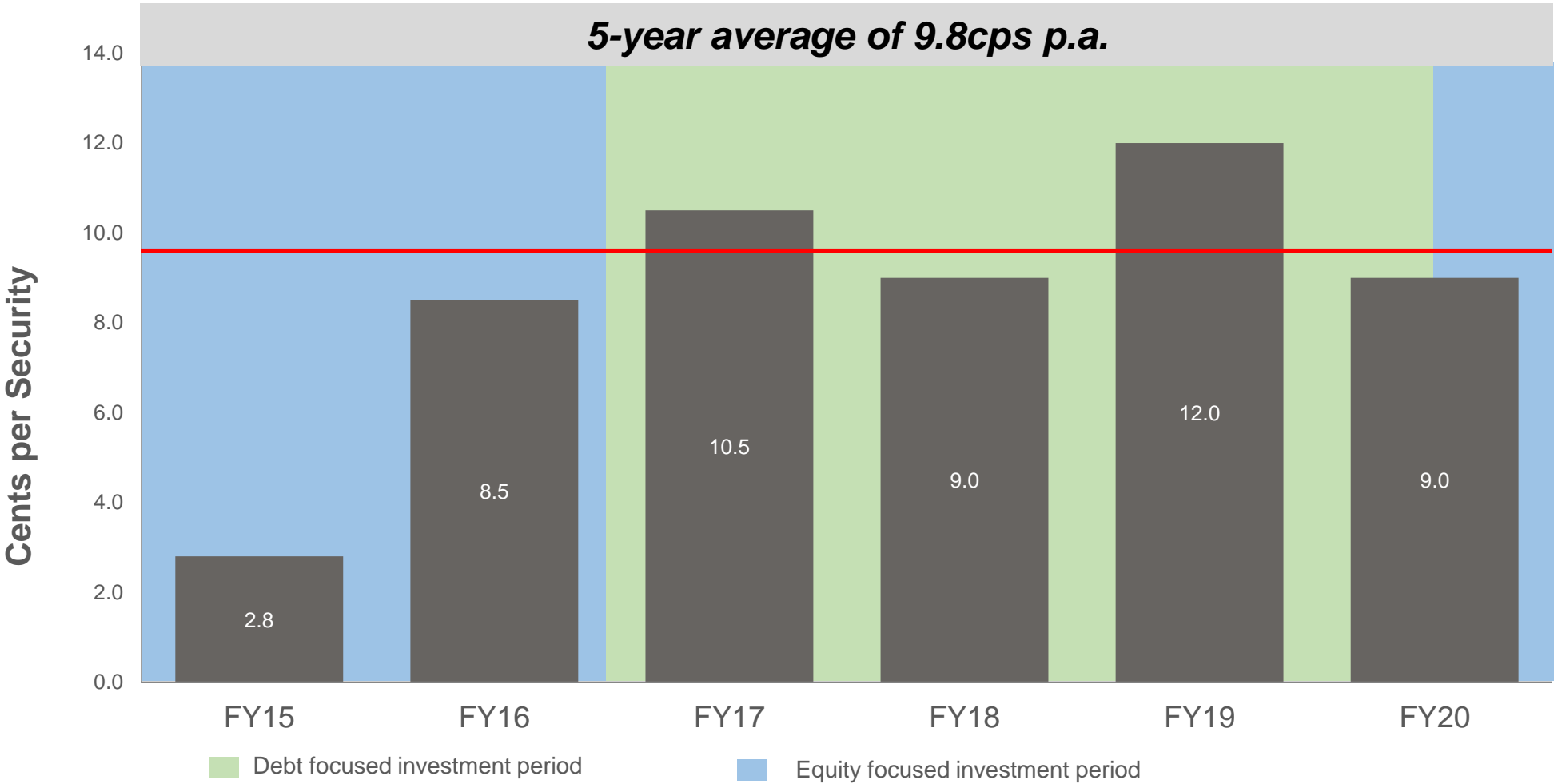
¹ Net cash is equal to cash plus receivables less liabilities as at 30 June 2020 (audited)

² Cash received up to 24 August 2020

³ Closing price on 24 August 2020

3. Distribution history

5-years distribution history, averaging 9.8cps through investments in debt and equity





4. Key financial results

\$78.5m

Cash balance

As at 30 June 2020, TOT had a cash balance of \$78.5m

\$1.13

NTA per security

Given the reduction in the size of the loan portfolio the impact of AASB loss allowance on NTA per security is now immaterial

\$10.4m

Statutory NPAT attributable to securityholders

37% increase in statutory net profit attributable to securityholders driven by gain on URB acquisition and lending revenue

\$7.7m

Operating profit

Operating profit¹ of \$7.7m reflecting a 4% decrease on prior period as a result of a pullback in capital deployment due to the uncertainty caused by COVID-19

Financial results overview

Balance sheet summary	30-Jun-20 (\$m)	30-Jun-19 (\$m)	Change (\$m)	Change (%)
Total Assets	161.7	86.7	75.0	87%
Total Liabilities	4.7	4.3	0.4	8%
Net Assets	157.1	82.4	74.7	91%
Securities on issue	138.8	70.2	68.6	98%
NTA per security ²	\$1.13	\$1.17		
Core NTA post (AASB 9) allowance ²	\$1.13	\$1.19		

Profit and loss summary	FY20 (\$m)	FY19 (\$m)	Change (\$m)	Change (%)
Total Revenue	20.7	9.2	11.6	127%
Profit from continuing operations	9.9	7.7	2.1	28%
Statutory Profit attributable to Securityholders	10.4	7.6	2.8	37%
Operating Profit ¹	7.7	8.0	(0.3)	-4%
Operating EPS ¹	7.1 cps	11.8 cps	-4.7 cps	-40%
Distribution CPS	9.0 cps	12.0 cps	-3.0 cps	-25%

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.

² The Fund has provisioned an allowance for loss on loans receivable for purposes of AASB 9, however there is currently no evidence any actual loss will eventuate.



5. Remaining loan portfolio



Cash advance senior

Medium density complex comprising 16 apartments and two (2) townhouses in Bulimba, QLD

Net Realisation¹: \$33.8m
Facility Amount²: \$23.7m

Drawn balance: \$17.9m (\$13.3m as at 24 August)

Security Value: \$28.5m

Repayment Date: June 2021



Progressively drawn senior

Medium density complex comprising 109 waterfront, residential apartments in Port Coogee, W.A.

Net Realisation¹: \$13.2m
Facility Amount²: \$ 8.0m

Drawn balance: \$1.5m

Security Value: \$4.0m

Repayment Date: February 2021



Corporate loan note

Loan to Velocity Property Group (ASX:VP7) to provide working capital

Facility Amount: \$10.0m

Drawn balance: \$10.0m

Current Security: First ranking security over all asset and undertakings of VP7

Repayment Date: December 2021

¹ Net Realisation based on "As If Complete" valuation (net of GST & selling costs)

² Facility amount including capitalised interest and fees

6. Real estate equity portfolio



510 – 536 High St, Penrith NSW

Shopping center located on High Street in Penrith

49.90% ownership interest

Book value¹: \$7.8m
Exchanged value: \$7.8m

Contracted to settle on 31 October 2020



Gladesville apartments

23 apartments acquired in September 2019 for \$16.5m

14 exchanged contracts reflecting a weighted average 23.8% premium to purchase price²

Price: \$16.5m
Contracted sales²: \$11.6m

Expected to sold by the end of FY21



HomeHQ Artarmon

Large format retail center which is currently undergoing expansion and re-leasing

4.5% ownership interest

Book Value¹: \$3.2m

Following the completion of the expansion works and the re-leasing TOT will look to dispose its interest

¹ Acquired as part of the URB merger

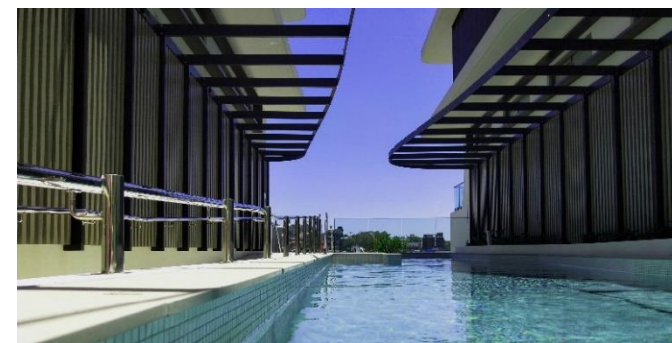
² As at 24 August 2020



7. Velocity Property Group (ASX: VP7)

- TOT/TGP JV made a 19.9% equity investment in VP7, the funds were utilized to reduce corporate debt and provide working capital
- Despite the impact of COVID-19, VP7 has recently had 12 settlements (c. \$14.8m gross value)¹ across its portfolio, of which approximately \$7.8m of sales have occurred at TOT's Bulimba loan investment
- Following an internal review the Two27 development site in Palm Beach was sold and the Burleigh Heads site is considered non-core.
- During the 6 months to 30 June 2020, the Board of VP7 undertook a rationalisation and de-gearing programme.
- VP7 has indicated it will repay TOT's corporate loan investment through the proceeds of the development site sales.

¹ Between 30 March 2020 and 29 July 2020





8. Refinement of investment strategy

Rationale for refining investment strategy:

1. Stage of the cycle

- Valuations in some commercial property sectors have started to decline

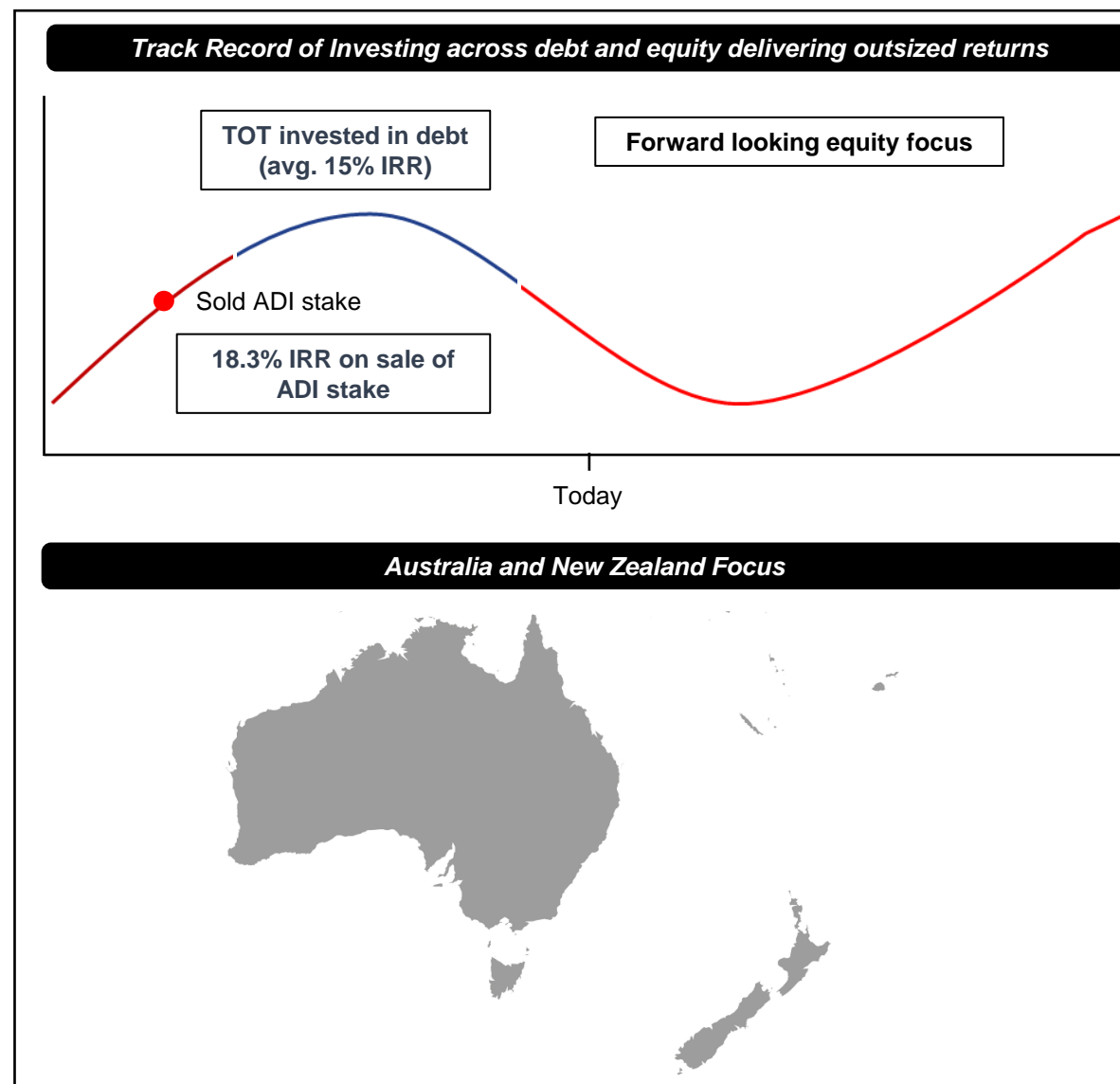
2. High demand for yield with capital growth

- Attractive entry point for opportunistic investors like TOT

3. TOT leverages 360 Capital Group's 15-year real estate track record and experience

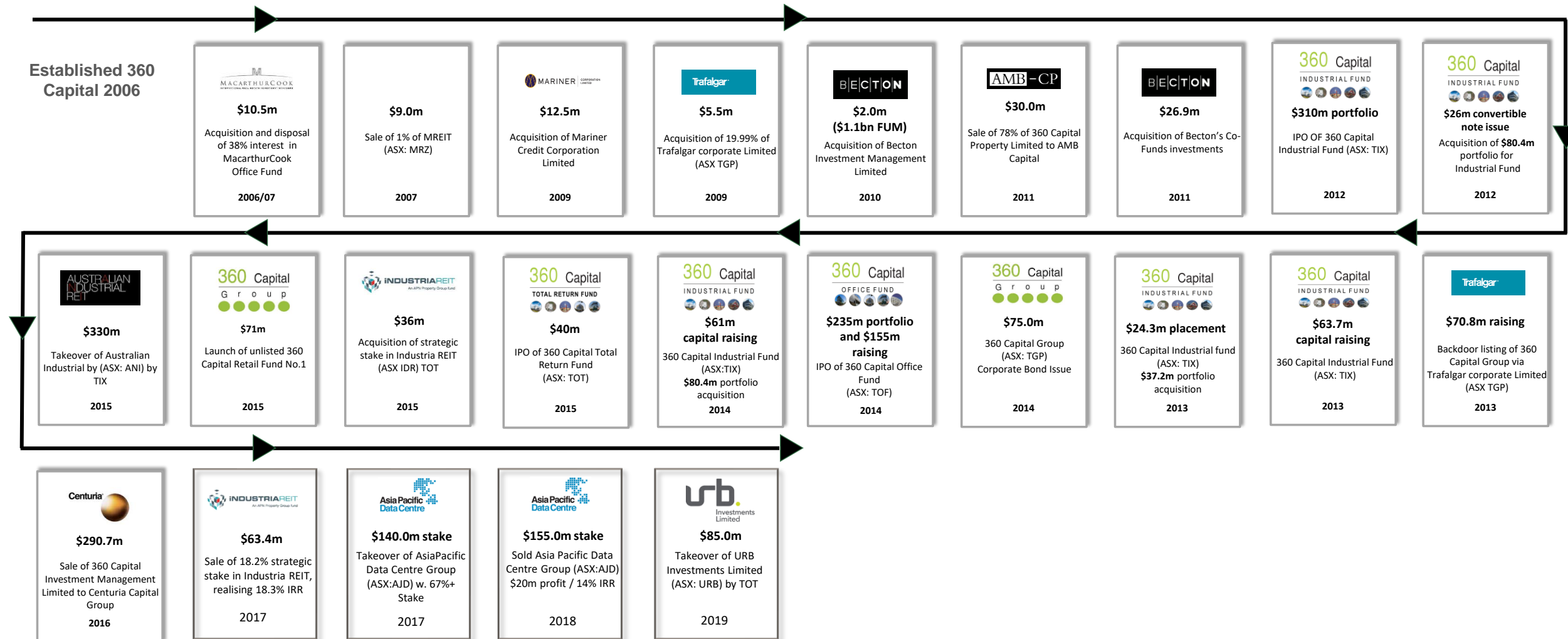
- TOT's >\$90m cash balance¹ and the Group's experience allows TOT to partner with third party capital to access larger, higher quality transactions

¹ As at 24 August 2020 (unaudited)





9. Established, long term track record of corporate actions



10. Forward looking business plan

Refinement of Investment Strategy

- Unitholder approval of strategy – February 2020
- Expansion of geographies to include New Zealand
- Market volatility catalyst to shift focus to real estate equity investing

Platform positioned for growth

- Merged with URB Investments in December 2019
- Completed institutional placement of \$10.8m
- No debt across TOT, providing significant acquisition capacity

Active management and partner

- 15-year real estate track record
- TGP has a significant track record of capitalising on market volatility
- Our experience allows us to partner with larger capital partners

11. Outlook and guidance

Outlook and focus

- Focus on deploying available balance sheet capacity including working with capital partners
- Potential deterioration of economic and real estate fundamentals provides opportunistic investors like TOT with an attractive entry point for long-term capital growth;
- Focus on investing in direct real estate, real estate equities and real estate related operating business

Guidance

- Forecast distribution guidance for Q1 FY21 is 1.50 cents per security, reflecting a 6.8%¹ yield
- Forecast FY21 earnings and distribution guidance to be provided once TOT's capital is redeployed

¹ Based on annualised forecast EPS and DPS / closing price of \$0.88 on 24 August 2020

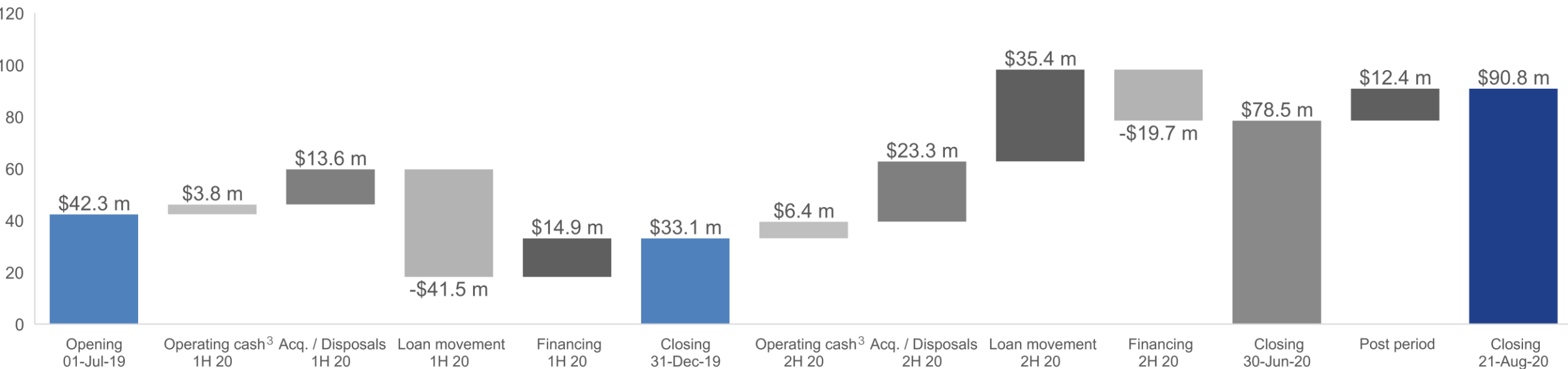
Appendix 1: Financials

FY20 Balance sheet activity

Summary of FY20 activity

<div>\$63.1m</div> <div>Loans repaid¹</div>	<div>\$11.6m</div> <div>Gladesville apartments sold</div>	<div>\$20.0m</div> <div>Equities sold²</div>	<div>\$0m</div> <div>Borrowings</div>
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FY20 balance sheet activity



¹ Includes principle and capitalised interest
² As per the "Financial assets disposed – on market" in the financial statements
³ Excluding inventory acquisition and disposals

Financial results



\$78.5m

Cash balance

As at 30 June 2020, TOT had a cash balance of \$78.5m

\$66.6m

Senior loans written

AMF Finance continues to gain traction in the market, originating over \$66.6m¹ of senior loans during FY20

\$63.1m

Loans repaid

The Fund has been repaid \$63.1m in loan investments during FY20, achieving an average IRR of 16.3% p.a.⁴

\$1.13

NTA per security

Given the reduction in the size of the loan portfolio the impact of AASB loss allowance on NTA per security is now immaterial

Balance sheet

	30-Jun-20 (\$m)	30-Jun-19 (\$m)	Change (\$m)	Change (%)
Cash	78.5	42.3	36.2	
Receivables	0.6	0.1	0.5	
Loans receivable	42.4	38.9	3.6	
AMF Finance Joint Venture ²	0.2	0.4	(0.2)	
TOT TGP Joint Venture	1.0	-	1.0	
Investments in listed securities	6.3	0.1	6.2	
Investment in unlisted securities	11.0	4.8	6.2	
Inventory	11.8	-	11.8	
Notes receivable	9.9	-	9.9	
Deferred tax assets	-	0.1	(0.1)	
TOTAL ASSETS	161.7	86.7	75.0	87%
Payables	0.2	2.2	(2.0)	
Borrowings	-	-	-	
Deferred tax liabilities	0.0	-	0.0	
Provision for income tax	1.3	-	1.3	
Distributions payable	3.1	2.1	1.0	
TOTAL LIABILITIES	4.7	4.3	0.4	8%
NET ASSETS	157.1	82.4	74.7	91%
Securities on issue	138.8	70.2	68.6	98%
NTA per security ³	\$1.13	\$1.17		
Core NTA post (AASB 9) allowance ³	\$1.13	\$1.19		

1. Includes the Gregory Hill loan funded by TGP
2. The value of TOT's 50% interest in AMF Finance joint venture is accounted for using the equity accounted method.
3. The Fund has provisioned an allowance for loss on loans receivable for purposes of AASB 9, however there is currently no evidence any actual loss will eventuate.
4. The IRRs are weighted by the facility limit except for Greenway which is weighted by the maximum drawn amount

Financial results



\$7.5m

Finance revenue

Finance revenue of \$7.5m, a –13.8% decrease from FY19 due to TOT choosing not to write new loans in the second half of the year

\$10.4m

Statutory NPAT attributable to securityholders

37% increase in statutory net profit attributable to securityholders driven by gain on URB acquisition and lending revenue

\$7.7m

Operating profit

Operating profit¹ of \$7.7m reflecting a 4% decrease on prior period

7.1cps

Earnings per security

Earnings per Security of 7.1cps for the period reflects a -40% decrease on the prior period

9.0cps

Distributions per security

Distributions of 9.0cps for the period reflects a 25% decrease on the prior period

	FY20 (\$m)	FY19 (\$m)	Change (\$m)	Change (%)
Finance revenue	7.5	8.7	(1.2)	
Distribution income	0.8	0.0	0.8	
Net gain on fair value of financial assets	-	0.3	(0.3)	
Gain on business combination	4.5	-	4.5	
Revaluation on acquisition of equity accounted investment	0.3	0.0	0.3	
AMF revenue (Active Returns)	-	0.0	(0.0)	
Sale of inventory	6.7	-	6.7	
Loss reversal allowance (AASB 9) ²	0.9	-	0.9	
Other income	0.1	0.1	(0.1)	
TOTAL REVENUE	20.7	9.2	11.6	127%
Management fees and expenses	(1.4)	(0.8)	(0.6)	
Transaction costs	(0.8)	(0.0)	(0.8)	
Cost of goods sold	(5.6)	-	(5.6)	
Finance expenses	(0.2)	-	(0.2)	
Net loss on fair value of financial assets	(2.1)	-	(2.1)	
Net loss on disposal of financial assets	(0.5)	-	(0.5)	
Other expenses	(0.3)	-	(0.3)	
Loss allowance (AASB 9) ²	-	(0.6)	0.6	
Profit from continuing operations	9.9	7.7	2.1	28%
Income tax (expense)/benefit	0.6	(0.1)	0.6	
STATUTORY PROFIT	10.4	7.7	2.8	36%
External NCI	-	(0.1)	0.1	
STATUTORY PROFIT ATTRIBUTABLE TO SECURITYHOLDERS	10.4	7.6	2.8	37%
Non-operating share of profits of equity accounted investments	(0.2)	-	(0.2)	
Net gain on business combination	(4.5)	-	(4.5)	
Net (gain) / loss on fair value of financial assets	2.1	(0.3)	2.4	
Tax Effect on Fair value (gain) / loss on investments	(0.5)	0.1	(0.6)	
Transaction costs	0.8	0.0	0.8	
Loss on sale of investments	0.5	-	0.5	
Loss allowance (AASB 9) ²	(0.9)	0.6	(1.5)	
OPERATING PROFIT¹	7.7	8.0	(0.3)	-4%
OPERATING EPS¹	7.1 cps	11.8 cps	4.7 cps	-40%
DISTRIBUTIONS CPS	9.0 cps	12.0 cps	3.0 cps	-25%

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.
2. The Fund has provisioned an allowance for loss on loans receivable for purposes of AASB 9, however there is currently no evidence any actual loss will eventuate.

Appendix 2: Turnaround Track Record

Turn Around Case Study: 360 Capital Industrial Fund (ASX:TIX, now ASX:CIP)



23% IRR¹

Co-Investment IRR

8.2X MOIC²

Return on Fund's Management
rights acquisition
(Over A\$19.4m fees and A\$58.8m
sale price on \$A9.5m investment)

48% IRR

Overall return on invested capital

- Acquired as part of Becton Fund's management acquisition in 2010
- Listed on ASX in 2012 and recapitalised (1st A-REIT IPO post GFC)
- Grew portfolio from A\$330m to A\$900m in six years
- Active portfolio management:
 - A\$300m acquisitions
 - A\$150m disposals
 - WALE increased from 3 years to 5 years
 - Leased over 300,000 sqm
- Grew organically and through M&A (ASX: ANI takeover, 2015)
- Active asset & capital management enabled distributions to increase year on year
- Focused on core Australian industrial markets
- Returns driven from generic, well leased industrial
- Disposed co-investment and Fund's Management rights to Centuria (ASX: CNI) in 2016

Note: past performance is no indicator of future performance. TGP's historical performance is no indicator of TOT's performance

1. Internal Rate of Return ("IRR")

2. Multiple of Invested Capital ("MOIC")

Turn Around Case Study: 360 Capital Office Fund (ASX:TOF, now merged with ASX:COF)



17% IRR¹

Co-Investment IRR

53X MOIC²

Return on Fund's Management
rights acquisition
(Over A\$10.0m fees and A\$13.9m
sale price on \$A450k investment)

39% IRR

Overall return on invested capital

- Acquired as part of Becton Fund's management acquisition in 2010
- Active portfolio management
 - Sale of A\$250m of assets,
 - Acquisition of >A\$180m of assets
 - Refinanced >A\$150m senior debt and CMBS
- Recapitalised and acquired A\$135.5m of A-grade office assts and listed the fund on the ASX in 2014
- First metro/suburban office fund listed post GFC
- Focus on core income producing A-grade assets in major office markets
- Disposed co-investment and Fund's Management rights to Centuria (ASX: CNI) in 2016

Note: past performance is no indicator of future performance. TGP's historical performance is no indicator of TOT's performance

1. Internal Rate of Return ("IRR")

2. Multiple of Invested Capital ("MOIC")

Appendix 3: M&A / Corporate Track Record

Takeover: Asia Pacific Data Centre Group (ASX: AJD)



14.4% IRR
On Invested Capital



5.4%
Implied Cap Rate



\$19.2m
Profit and distributions

AJD Run Sheet	
May-17	TGP bought 19.9% stake (\$35.8m) for \$1.57 per unit.
28-Jun-17	TGP calls meeting to replace the Responsible Entity of AJD.
18-Jul-17	NEXTDC Limited (NXT) acquires 14.1% stake in AJD.
20-Jul-17	TGP offers non-binding and conditional proposal to acquire AJD securities at \$1.80 per security.
21-Jul-17	TGP resubmits non-binding proposal to acquire AJD securities at \$1.80 per security; amended to include 'No minimum acceptance condition'.
31-Jul-17	NXT announces unconditional all-cash off-market takeover offer for AJD units at \$1.87. Closed with 29.2% interest.
13-Sep-17	TGP offers proposal to acquire AJD securities at \$1.95 cash per security.
4-Oct-17	TGP change in holding now 21.03%. Directors of APDC unanimously recommend APDC shareholders accept TGP offer.
20-Nov-17	TGP announces it has acquired 67.31% of AJD securities. Offer closes.
14-Dec-17	NXT which holds 29.2% interest in AJD, announces intention to convene Extraordinary General Meeting with objective of Winding-up Asia Pacific Data Centre Trust.
10-Sep-18	Supreme Court of New South Wales hands down ruling in favour of TGP, regarding its ability to vote its interests on proposed resolutions at extraordinary general meeting and for NXT to cover TGP's legal costs.
8-Oct-18	NXT announces takeover bid to acquire AJD securities at \$2.00 plus \$0.02 special distribution.
12-Oct-18	TGP sold entire holding in AJD for total consideration of \$154.8m

Takeover: Australian Industrial REIT (ASX: ANI)



The Opportunity

- ASX Listed A-REIT (ASX:ANI)
- Considered sub-scale
- Trading at NTA
- 1,600 investors
- Externally managed REIT
- Scrip bid

Note: past performance is no indicator of future performance.
TGP’s historical performance is no indicator of TOT’s performance

A\$330m

Gross Assets

4.6 Year

Weighted Average Lease Expiry

20.9%

IRR on TGP Investment

A\$220m

Market Capitalisation

ANI Run Sheet

Nov-14	TGP approached ANI management with proposal to buy management rights (proposal was rejected by ANI)
Dec-14	TGP bought 12.9% stake (\$27m) for \$2.12 per unit
18-Dec-14	TIX made formal takeover offer and TGP formally offered to buy management rights (proposal was rejected by ANI)
3-Feb-15	Formal bid sent to unitholders – implied value of \$2.48 per unit (NTA of \$2.04 per unit, TIX trading at premium also)
31-Mar-15	Acceptances >20%
7-Apr-15	TIX calls meeting to remove ANI management (shareholder meeting/vote unsuccessful)
19-May-15	TIX removed all bidding conditions (28.4% acceptances)
22-Sep-15	TIX increases offer to \$2.47 per ANI unit (TIX price had traded down)
25-Sep-15	TIX calls meeting to remove ANI management (33.3% acceptances)
30-Sep-15	ANI announces competing proposal
9-Oct-15	ANI takes TIX to takeovers panel; Failed application; TIX reaches 36%; ANI Board recommended bid
13-Oct-15	TIX reaches 74.9% of ANI
23-Oct-15	Compulsory Acquisition made
26-Oct-15	TGP appointed Responsible Entity of ANI
1-Dec-15	Acquisition completed