

17 August 2017

**360 Capital Group (TGP)
FY17 Results**

360 Capital Group (ASX code: TGP) (Group or 360 Capital) is pleased to announce its financial results for the financial year ended 30 June 2017.

The Group completed the sale of the majority of its funds management business and co-investments in January 2017, and the financial results take this significant transaction into account.

Following the sale of the majority of the Group's fund management platform, the Group's strategy continues to focus on real estate funds management and investment across the following three key areas:

- Public Capital – 360 Capital Total Return (ASX: TOT)
- Private Capital – Partnerships / Platform Creation
- Debt Capital – Alternative debt financing and management

Group key achievements over the past twelve months to 30 June 2017:

- Sold the majority of the funds management business to Centuria Capital Group for \$290.7 million
- Sale of Subiaco Square Shopping Centre for \$38.4 million (20% premium), returning Group \$9.4 million in cash plus exit fees
- Repaid all TGP Bonds (\$75 million). TGP now debt free with approximately \$97.2 million in cash
- Bought back 25.0 million TGP securities @\$ 0.90 per security (10.4% of issued capital)
- Launched the 360 Capital 2017 Private Equity Real Estate Fund
- Increased TOT's and the Group's investment in IDR to approximately 18.2%. Post FY17, TOT & TGP disposed of their stakes in IDR, generating an 18.3% IRR per annum
- Launched Australian Mezzanine Finance Pty Limited – progressed building non-bank real estate financing in partnership with TOT
- Undertook a \$40.6 million capital raising in TOT, increasing the gross assets to over \$80.0 million
- Settled the repayment of the \$50.0 million Vendor Loan 15 months before expiry
- Settled the disposal of part of the unlisted co-investment stakes with Centuria
- Purchased a strategic 19.9% stake in Asia Pacific Data Centre Group for approximately \$36.0 million and, post period, made a non-binding proposal at \$1.80 per security for the remainder of the securities

Group key financial results highlights for the financial year ended 30 June 2017:

- Statutory net profit of \$63.6 million up 164.1% on \$24.1 million in FY16 (pcp)
- Operating profit of \$13.2 million down 17.0% on \$16.0 million pcp
- Statutory earnings per security (EPS) of 29.5cps up 178.3% on 10.6cps pcp
- Operating EPS of 6.1cps down 12.9% on 7.0cps pcp
- Distributions per security (DPS) of 6.50cps up 4.0% on 6.25cps pcp
- NTA per security increased 39.8% from \$0.68 as at 30 June 2016 to \$0.95 per security

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Capital management

Centuria exercised a total of \$5.2 million in call option units during the period. The balance of these unlisted investments are under put and call options, totalling \$53.7 million, and are expected to be exercised over the next 18 months.

On 2 February 2017, the Group purchased 25.0 million securities via an on market buyback at an average price of \$0.90 per security, funded from existing cash reserves. Post the buyback, the number of securities on issue was reduced to approximately 214.6 million.

As at 30 June 2017, the Group had approximately of \$97.2 million in cash, its investment stakes in the Centuria unlisted trusts and funds (\$58.3 million) and \$64.1 million in listed investments including its 23.7% co-investment stake in 360 Capital Total Return Fund (\$19.1 million), 19.9% stake in Asia Pacific Data Centres (\$40.2 million) and 1.3% stake in Industria REIT (\$4.7 million). Post period, the Group sold its stake in Industria REIT for \$4.8 million.

The Group's NTA per security increased 39.8% from \$0.68 as at 30 June 2016 to \$0.95 per security (after allowing for tax liabilities arising from the sale of CIML).

The Group is now debt free.

Post period, the Group issued 11.3 million securities at \$0.98 per security as part of the employee share plan increasing the number of securities on issue to approximately 225.9 million.

The Group is now focused on rolling out its post Transaction strategy of:

1/ Partnering with public capital via 360 Capital Total Return Fund:

The Group will continue its strategy of being a fund manager and co-investor. However, given the significant level of cash, the Group is focused on sponsoring transactions and growing TOT's asset base to become the Group's flagship listed fund.

Over the past 6 months, TOT raised \$40.6 million comprising a \$5.3 million institutional placement and \$35.3 million entitlement offer. These funds were used to increase TOT's stake in Industria REIT (ASX: IDR) to 16.9% and provide capital to enable TOT to undertake its strategy of non-bank financing.

The Group continued to maintain a high level of ownership of TOT by taking up its entitlement and also supporting TOT on market. The Group currently has a 23.7% interest in TOT (\$19.1 million) as at 30 June 2017.

TOT has a broad investment strategy, allowing it to operate in a highly flexible manner to capitalise on investments, including but not limited to:

- Value-add/repositioning of direct assets
- Strategic investments in unlisted and listed real estate funds and businesses
- Senior and mezzanine finance
- Distressed debt and "work out" opportunities

Post period, TOT capitalised on IDR's price escalation and sold its entire stake for \$63.4 million generating a total return of 18.3% per annum for unitholders.

Our target, subject to finding appropriate opportunities, is to increase the equity base of TOT to \$200 million over the next 2 years.

2/ Private Capital – Partnerships and Platform Creation

The Group established the 360 Capital 2017 Private Equity Real Estate Fund in April 2017 in partnership with TOT. The initial investment in this fund was TOT's interest in Industria REIT. A number of private equity groups showed interest in this opportunity. However, as the price of Industria increased, it became evident that a sale of the stake was the most prudent strategy.

In May 2017, the Group purchased a 19.99% strategic stake in Asia Pacific Data Centres (ASX:AJD) for \$36.0 million. The Group is attracted to data centre ownership due to the strategic nature of the asset class underpinned by increasing data usage and the resulting strong demand for data storage.

Following several approaches to partner in this sector, post period, the Group announced a proposal to purchase the remaining securities it did not own in AJD for \$1.80 per security. Subsequent to the Group making a proposal to AJD securitholders, Next DC Limited has made unconditional offer at \$1.87 per security after buying 19.9% stake.

The Group has completed a significant part its due diligence, however due to material information in relation the portfolio and AJD's financing arrangements only having been just received from AJD, its enquiries are still ongoing.

The Group is considering a number of different strategies in respect of its stake in AJD, including:

- 1/ Increasing the price on its current proposal and remove all conditions
- 2/ Selling its stake to other global data centre operators/investors who recognise the strategic qualities of the portfolio
- 3/ Continuing to hold the stake as a strategic investment and look to identify other opportunities for AJD in the data centre space

The Group remains focused on concluding its due diligence on AJD as soon as possible.

The Group will also investigate in FY18 the potential for private equity investors to partner with TOT and the Group on non-bank lending activities.

3/ Debt Capital – Alternative debt financing and management

The Group, in a 50/50 joint venture with TOT, has established Australian Mezzanine Finance Pty Limited (AMF) to provide alternative lending and structured financing solutions to Australian real estate investors and developers.

AMF's initial capital for transactions will be provided from TOT and TGP's own capital. As AMF grows its lending book, the opportunity for non-bank lending will also be made available to 360 Capital's private equity investors.

With the Australian banks' increasing capital adequacy arrangements, the banks are reducing their exposure to certain sectors of real estate financing, creating an opportunity for non-bank lending on a scalable basis.

AMF has been developing a finance product in partnership with the Australian banks which enables the banks to offer a stretched senior facility to their commercial real estate customers (investors and developers).

AMF has now entered into an agreement with a major Australian bank to progress this product development and complete, among other aspects, the legal structuring and, in due course, live transactions.

This product, in combination with direct broking of transactions through AMF, will provide TOT and the Group with a pipeline of financing opportunities to be pursued on a selective basis.

Proposed Capital Reconstruction

The Group proposes to undertake a capital reconstruction in FY18, subject to securityholder approval. This reconstruction is necessary in order to re-balance capital between the Trust and the Company to provide the Trust with the necessary capital base to carry out its business of making property-related debt and equity investments.

To effect this capital re-balancing, it is proposed that the Company pay a fully franked Special Dividend (expected to be approximately \$0.20 per security) to securityholders who will be required to contribute those dividend proceeds as capital to the Trust.

The capital reconstruction is subject to receiving an appropriate class ruling from the ATO. The securityholder meeting seeking approval for this reconstruction will be held after tax ruling received.

FY18 Distribution/ Dividend Policy

As a result of the sale of the majority of the Group's funds management business and co-investment, the Group has changed its distribution/dividend policy for FY18 to reflect the change in the nature of the business.

FY18 base earnings are forecast to be 3.0 cents per security assuming no further deployment of capital and the Group's current investments remaining fully invested. The Group will distribute 100% of its operating earnings on a quarterly basis. Any realised trading profits from TGP's activities will be also be distributed to securityholders.

Given the Group had approximately \$97.2 million in cash as at 30 June 2017, and a further \$64.1 million in listed securities and \$58.3 million in unlisted funds, any realisation of further cash deployment will impact on the operating earnings of the Group.

Key Focus for FY18

- Continue to focus on increasing returns for TOT securityholders through redeployment of its current cash and an increase in investor and the general market awareness of TOT and its activities
- Investigate and sponsor other investment opportunities for private capital investors across both debt and equity investment opportunities
- Advance non-bank financing activities for TOT, TGP and private capital and become a major participant in this market through AMF
- Complete due diligence on AJD and review the Group's investment alongside its capital partners
- Be patient with TGP's capital, continue to monitor opportunities, manage the exposures we have to CNI, look at growing revenue streams, and continue to be opportunistic in our approach to creating value for our investors

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 emailing investor.relations@360capital.com.au

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About 360 Capital Group (ASX code TGP)

360 Capital Group is an ASX-listed, property investment and funds management group concentrating on strategic investment and active investment management of property assets. The Group actively invests in direct property assets, property securities, real estate debt and various corporate real estate investments within Australian real estate markets on a private and public equity basis.

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